Agriculture and Trade in an Asymmetric World

by Gonzalo Fanjul
Contacts:

Heinrich Boell Stiftung, Hackesche Hoefe, Rosenthaler Str. 40/41, D-10178 Berlin
Tel: ++49-(0)30-285-34-187
E Mail: haas@boell.de

Misereor, Mozartstr. 9, D-52064 Aachen
T: ++49-(0)241-442-192
E Mail: kolmans@misereor.de

Wuppertal Institute for Climate, Environment and Energy, Doepersberg 19, D-42103 Wuppertal
T: ++49-(0)30-28095493
E Mail: wolfgang.sachs@wupperinst.org
tilman.santarius@wupperinst.org

This paper does not necessarily represent the views of the before mentioned organizations.

About the Author:

Gonzalo Fanjul, Spain, is Head of Research at Intermón Oxfam. Having closely followed the agriculture negotiations at the WTO for the last several years as well as issues concerning the developmental impacts of the common agricultural policy of the EU, he has a profound expertise on agricultural trade issues. He has a degree in economics.

Contacts of the author:

Intermón Oxfam, calle Alberto Aguilera 15, 28015 Madrid
Tel.: ++49-(0)91-2046703
E Mail: gfanjul@intermonoxfam.org
Preamble

This paper is written as a discussion paper within the framework of the project “EcoFair Trade Dialogue. New Directions for Agricultural Trade Rules” (www.ecofair-trade.org).

The EcoFair Trade Dialogue is an international project carried out by the Heinrich Böll Foundation in cooperation with MISEREOR and moderated by the Wuppertal Institute. The overall aim of this project is to enrich the debate on the reform of the current regime of global agricultural trade through the development and advancement of forward looking guidelines and instruments, taking the concepts of ‘food sovereignty’ and ‘sustainable agriculture’ as reference points. Since the beginning of 2005 the EcoFair Trade Dialogue has brought together a group of 11 ‘experts’ on agriculture and trade issues from around the world, the so-called Expert Panel, to exchange views, work intensively together and make innovative and feasible proposals for a profound reform of the international agricultural trade regime. During 2006 a series of stakeholder dialogues in different regions of the world are being conducted to bring additional expertise to the process, and ground the group’s proposals in local and regional experiences. A concrete and coherent reform proposal that responds to the 21st century’s social and ecological challenges for global agriculture is envisaged as the outcome of the project at the end of 2006.

The EcoFair Trade Expert Panel has identified asymmetries in trade relations as one of the obstacles preventing the emergence of fairer, more ecologically sound trade rules for agriculture. This paper analyzes existing asymmetries and their role in the problems associated with the current trade system. It concludes with some recommendations for policy change in order to arrive at a future trade regime that systematically redresses asymmetries.

The author would like to thank Sophia Murphy, Jesús Antón, Kamal Malhotra and Tilman Santarius for their helpful comments in drafting this paper, as well as the rest of the EcoFair Expert Panel members in shaping the arguments. Of course, the views expressed and research conducted remain the responsibility of the author. As this is a discussion paper of a preliminary character, comments and contributions to the discussion are expressly sought.
Content

Executive Summary ___________________________________________________________ 5

1 What is the problem? ______________________________________________________ 7
  1.1 Trade, agriculture and development ______________________________________ 7
  1.2 Asymmetries as an obstacle ____________________________________________ 10

2 The case for addressing the problem of international asymmetries _______ 18
  2.1 Why should this be relevant for us? ____________________________ 18
  2.2 The starting point _____________________________________________________ 19
  2.3 The need for policy space _____________________________________________ 20
  2.4 Are there limits to the aim of a meaningful policy space? _________ 23

3 Approaches on Special and Differential Treatment in trade agreements _____ 25
  3.1 Special and Differential Treatment in current agreements ________________ 25
  3.2 Who deserves special treatment? Current forms of differentiation__________ 28

4 Policy Proposals for an eco-fair solution to asymmetries ________________ 31
  4.1 A pro-development Agreement on Agriculture at the WTO ________________ 33
  4.2 Meaningful economic compensation and assistance ________________________ 35
  4.3 Addressing asymmetries in the power politics of trade agreements _______ 37
  4.4 Beyond the WTO______________________________________________________ 39
  4.5 A solution to the problem of differentiation among developing countries____ 40

References ________________________________________________________________ 43
Executive Summary

Existing political, economic and natural asymmetries in international agricultural trade have a determinant effect in the results of the rules-making processes and, therefore, on the distribution of risks and opportunities resulting from them.

This discussion paper will argue that these various asymmetries among and within trading partners are an obstacle to making agricultural trade and its regulation work for the poor. They are determinant in the consideration of what is relevant (and, therefore, should be resolved) and what not: asymmetric power among trading partners is critical in the definition of the international economic agenda, which is now dominated by issues like free trade, intellectual property rights or corporate investment protection.

This problem has been increasingly acknowledged by Governments and multilateral institutions. It is considered a fact that needs to be taken into account, the literature on it is extensive and the rhetoric of trade agreements are addressing the issue in various ways, broadly denominated as special and differential treatment (SDT). However, the reality of trade relations shows that rhetoric has not been matched by practice. Multilateral and regional negotiations have adopted a mercantilist approach where asymmetries have not been corrected by the system but abused by the bigger players in their own benefit.

This paper analyses how this problem has been addressed so far and suggests some policy proposals that could be agreed in order to achieve the kind of trade system we are looking for. It starts from the idea of an enhanced ‘policy space’ for countries to pursue their own path to development, which follows an arguable but simple logic: benefits of trade liberalization are not automatic, but largely depend on its range, pace and opportunity, as well as on the complementary national measures that will set the basis for future economic growth and integration; Governments should have the right and the obligation to guarantee them.

There is no future for a fair and sustainable agricultural trade if the system does not undergo a radical reform that makes rules compatible with public interest and with commitments in the fight against poverty. The key lies in abandoning a regulatory framework based on the maximisation of trade and market access, and pursue instead one that enables countries to grow out of poverty. A balance of rights and obligations where everybody would see their interests recognised.

After a brief summary of the current approaches to SDT, the paper finally proposes measures to address the problem of asymmetries, structured in five different areas:

- A pro-development Agreement on Agriculture at the WTO, including the need of policy space for developing countries, a fair regulation of agricultural
support in rich economies and recognising the needs of countries with preferential access and food needs.

- Meaningful **economic compensation and assistance** through proper development programs which are additional to existing funds and not conditional to liberalisation criteria.
- **Re-addressing asymmetries in the power politics of trade agreements**, introducing changes in decision making processes, reforming the dispute settlement mechanisms of trade agreements and increasing its legitimacy through proper public consultation.
- **Measures beyond the WTO**, guaranteeing development consistency between the WTO and regional trade agreements, and of those two with other pro-sustainable development international conventions and agreements.
- **A solution to the problem of differentiation among developing countries**, establishing the principles under which this should take place, as well as proper criteria to make differences among countries and seek commitment from all players according to their capacities.

As requested, the structure of the paper will be the following: section 1 will describe the problem of asymmetries in agricultural trade, including some explanatory graphs to illustrate it; section 2 will phrase and substantiate our affirmation, explaining why we think this is a relevant issue for the ECOFAIR group to look at; section 3 will describe the current approaches to SDT and differentiation in trade agreements; finally, section 4 will include a set of conclusions and policy proposals to be considered.
1 What is the problem?

More than ever before, countries and communities across the world are affected by trade. Increased economic integration through globalised markets, technology and cheaper transportation costs have bounded communities and individuals together in a way never known before. Part of this change is reflected in macroeconomic figures: for the last fifteen years exports have been growing much faster than global Gross Domestic Product (GDP), increasing the relative importance of trade in national economies and individual’s income (UNCTAD 2005). As an average, developing countries have registered particularly rapid increases in their ratios of exports to national income, accounting now for more than one-quarter of their combined GDP, a proportion which is higher than for rich countries (Oxfam 2002). As a result, changes in trade patterns will have an increasing influence on patterns of income distribution – and on the prospects for poverty reduction.

The increasing importance of trade in the economies of developing countries has proved to be a risk for their development rather than an opportunity. A combination of unfair trade rules at the multilateral and regional level, on the one side, and the lack of adequate institutions and policies in developing countries, on the other, are leaving millions of the world’s poorest behind. The human costs of unfair trade are immense. Rich countries’ targeted protectionism and export dumping, for example, are denying poor countries the opportunity to take advantage of markets where they are highly competitive, such as agriculture and textiles. Other issues, like reciprocal liberalization and abusive intellectual property protection seriously undermine developing countries Governments’ capacity to protect vulnerable economic sectors and the right of their citizens to basic social services and employment. These are only two examples of an aborted WTO ‘Development Round’ that has not delivered on any of its most essential commitments.

1.1 Trade, agriculture and development

In no sector the threats to development created by the multilateral trading system are higher than in agriculture. WTO’s Agreement on Agriculture was designed by developed countries during the Uruguay Round (UR) of negotiations in order to protect their massive and complex agriculture support systems and circumvent general

---

1 While the average developing countries’ integration in global markets is high, some countries have done much better than others. Least developed countries, for instance, have seen their participation in world exports halved in the last 25 years.
liberalization agreements. These particular policies affect poor economies in four distinct ways (Watkins 2003):

- Lower world prices of tempery agricultural commodities and price instability globally.
- Restricted opportunities in Northern and third markets.
- Negative effects on domestic markets, pushing down prices and forcing local farmers to find something else to sell or simply go out of business.
- Programs expanded the hold of agribusiness on the processing and distribution of food systems.

As regards to agriculture (and surely to other areas as well), international trade policy is now part of the problem, rather than part of the solution. The divergences comes when we discuss how important that part is. For many years, trade integration and development have been seen as synonymous by multilateral institutions and orthodox academics. This line of argument focuses on the positive association between trade liberalisation and growth, generally benefiting poor people (Ben-David and Winters, 2000) and leading to reductions in aggregate poverty in countries like India and China (Dollar and Kraay, 2000). The World Bank has undertaken a considerable body of research to substantiate this position – including both CGE models to estimate the future global effects of the various liberalisation measures being considered in the Doha Round, as well as a number of country specific case studies (North-South Institute, 2005).

The conclusions from this work are, however, less optimistic than they were only five years ago. There are two main lines, both of which are likely to fuel the ongoing debate about trade liberalisation as a poverty reduction strategy (North-South Institute, 2005): The first is that the poverty impacts of trade reforms being considered in the Doha Round will be small, even if the most ambitious Doha scenario occurs. If trade is to have a more significant longer-term impact, developing countries will have to increase their own liberalisation. Yet the second is that more generally, compared to the other developments forecast over the period to 2015, the changes in poverty from trade reforms are quite modest even if full liberalisation occurs; ‘trade reforms taken alone are a relatively small piece of the overall poverty reduction puzzle’ (Hertel and Winters p. 16).

Other studies are even more sceptical about the benefits that trade alone would bring, questioning the centrality of exports and emphasise instead the importance of policy space in order for developing countries to find their own path to development. It is still

---

2 See a good summary of these in a recent piece by Hertel and Winters (2005).
3 See UNDP 2003; Rodrik 2001; Nye, Redy & Watkins 2002; and Page & Kleen 2005 for a summary of the main arguments around the risks and opportunities related to trade, and why the World Bank’s approach to the issue is highly questionable. On the NGO side, some have been particularly outspoken, like IATP (www.iatp.org). Others, like Oxfam International (see, for instance, chapters 2 and 5 of Oxfam International, 2002) have maintained a nuanced policy position with simpler messages that have sometimes been misunderstood.
about trade and trade policy, but looking at the appropriate institutional, legal and economic environment to make it work for development, rather than the simple market liberalization. A similar view has been supported by a number of civil society organisations, which have advocated for a more restricted trade environment and the need to focus on local markets’ development and internal policies’ reform.

The important point about this discussion is that there’s no simple response to the problem of development or to the role that agricultural trade should play in it. Reducing trade barriers in rich countries will not automatically increase the world market shares of developing countries (Oxfam, 2002; UNDP 2003). Many producers – especially in low-income countries – lack the infrastructure, skills, and capacity to take advantage of market opportunities. Moreover, they face high vulnerability that makes them risk averse to innovation.

However, when market opening is combined with measures to develop supply capacity, major benefits are possible. Lacking access to land, credit, and market information, and facing high transport costs, the rural poor are the last to benefit from the opportunities created by trade. That is why developing-country governments have a responsibility to implement rural development programmes that redistribute opportunities to the poor and address the particular barriers faced by women. Successful experiences in development show that different states deserve the right to experiment with different policies, and trade rules should not be an obstacle to it.

It’d be wrong to think, in any case, that this is mainly a conflict between Northern and Southern farmers. There are obvious differences in the reality that producers in the North and in the South have to face (not least State’s social security protection), but it is also true family farming communities are losing out from the current agricultural model, no matter where we look at. As Bill Vorley puts it, “Anyone who has spent some time working in rural areas in both developing and industrialised countries cannot help but be struck by the similar fates of Rural World 2 [family farming], regardless of where they live. What peasants and family farmers have in common looks increasingly more consequential than what separates them (i.e., that developing country ‘peasants’ have a degree of subsistence, while farmers in industrialised countries market most or all of their production and are supported with heavy public investment)” (Vorley 2003).

The winners from this system are increasingly on the corporate side. Large agricultural corporations are extracting profit from poor producers and workers while increasing to record levels their own returns to shareholders and company growth. They set the terms of international trade in key commodities and food crops with the result of reducing cash returns to poor farmers and increasing food insecurity. Research, development and technology increases, whether publicly or privately funded, are increasing the market power of large companies producing, manufacturing or retailing agricultural products.

---

4 The issue of technology transfers and gaps, and its relevance on development processes is highlighted as one of the key factors by Rodrik (2001) and Meier and Rauch (2000).

5 For a compilation of these positions, see www.peoplesfoodsovereignty.org.
Furthermore, companies are influencing politics and policies to their own benefit both at the national and international level.

### 1.2 Asymmetries as an obstacle

The causes underlying unfair trade are complex. In the first place, the current system is driven by vested interests—both at the international and the national levels. The disproportionate influence of large farmers associations in the EU, for instance, explain to a large extent Governments’ reluctance to reform the Common Agricultural Policy (CAP) in the benefit of public interest within and outside the EU. The same could be said about many developing countries whose Governments are too often hijacked by the interests of concrete national economic groups or individuals that can orient policy decisions in the detriment of a majority of the population.

These distortions are possible, however, thanks to an asymmetric game where the results are intimately linked to the different power of its actors in the negotiating and economic arena. Various asymmetries have a determinant effect in the results of the rules-making processes and, therefore, on the distribution of risks and opportunities resulting from them. Here are some of the most important ones:

a) **Power politics across borders**: The size and structure of countries’ economies, their negotiating capacity or, simply, their political vulnerability. The fact that the whole trade negotiating process is not taking place in the limbo, but framed within a complex web of international relationships and power politics, allows space for the most powerful players to exert outside pressures and arm-twisting practices on the weakest (see examples in boxes 1 and 2). This problem—which by no means is limited to trade—is intimately linked to the balance of benefits and losses coming from the trading system, and its solution goes much further than the mere set of compensations and soft implementation rules currently envisaged. Still, some concrete steps can be taken to address it, as this paper will show.
Box 1. The use of protectionist mechanisms

The current Agreement on Agriculture of the WTO was built as a faithful reflect of the interests of developed countries. The graphs above show the extraordinary flexibility that rich countries enjoy when it comes to the use of tariffs and subsidies. Figure below shows the overall support to agriculture in the US and the EU, and the number of producers that enjoy it (22 million in total). It is compared with the sum of all the support granted by the biggest developing countries, and the number of farmers who get it.

The figure on the left refers to the use of the other main protectionist mechanism, tariffs, and the ability of the EU to use them, as opposed to a weaker country like Kenya. The EU committed to an ambitious average reduction in tariffs, while Kenya was allowed to keep them. However, as the graph shows, it was the EU that was able to protect its key sectors through tariff peaks, while Kenya had to renounce to its flexibility due to political pressure from international financial institutions.


Source: latest notifications to the WTO and FAOSTAT.
Box 2. The use of the WTO’s Dispute Settlement Understanding

One of the most outstanding characteristics of the WTO is that it enforces its laws allowing one or more of its member states to denounce and, if allowed, to retaliate against another one when they consider that the trade rules have been violated. Unfortunately, the effectiveness of these mechanisms has been seriously undermined by the lack of capacity of an important part of the WTO members to initiate a panel or the consultations that would resolve their complaint. Technical, financial, and – often very importantly – political reasons are a permanent obstacle for the poorest countries to take advantage of the system. Since they don’t have the capacity to enforce them, the value of the rules which are agreed is considerably watered down.

This graph shows the number of cases that have been brought or consulted at the WTO since 1995, and which were the countries that took the initiative. Almost one out of every two case was brought by the US or the EU. Canada, Brazil and India follow them by far. Regrettably, not a single African country has ever initiated a legal dispute at the WTO.

Surely this is not because they don’t feel damaged by the behaviour of some of its members. In a recent paper, Oxfam showed that developing countries could successfully take to a trade court EU and US’ agricultural protection in a number of sectors, such as fruit and vegetables, tobacco or wine; and corn or rice, respectively. Regrettably, the USA has recently requested the inclusion of a new Peace Clause in any agreement on agriculture reached in the Doha Round. This is an agreement among WTO members not to permit challenges at the WTO on certain issues — in other words, a license for rich countries to harm developing countries, with impunity. Under the old Peace Clause established under the Uruguay Round, rich countries had carte blanche to grant lavish agricultural subsidies, safe in the knowledge that these could not be challenged for a period of nine years under the WTO Subsidies Agreement.

---

**Figure 11.** Source: WTO, included in ICTSD (2003).
b) **Power politics within borders**: A different but related area of asymmetries in agriculture and trade has to do with the inequalities that take place within countries. As stated in the 2005 Human Development Report, “these gaps reflect unequal opportunities –people left behind because of their gender, group identity, wealth or location. Such inequalities are unjust. They are also economically wasteful and socially destabilizing” (UNDP 2005). At the end of the day, inequalities in the way benefits and opportunities are distributed in the local context will determine the difference between pro-poor trade policies and those that are not. Within countries, extreme inequalities in some fundamental sectors impede the ability of poor households to reap any benefit of trade, and boosting existing income inequalities. These gaps represent a vast waste of potential, and deny the poor an opportunity to share in export growth.

Gender inequalities are in this sense a major obstacle. Women account for the bulk of rural production, but face a wide array of barriers restricting the potential benefits of trade. Most women in developing countries work in agriculture and this figure is increasing due to a number of reasons such as male migration, wars or AIDS. However, within the ranks of the poor, rural women are likely to be disproportionately represented among the losers. They have less command over resources such as land, credit, and capital; they face major market and legal barriers, as the obstacles to posses land; and there are more demands on their time. In many countries, the sexual division of labour will bias the benefits of market opportunities and cash-crop production towards men (Oxfam, 2002).

Health and education policies can be more relevant than tariffs or subsidies in order to make trade work for the poor, especially for women. In the global economy of the 21st century, education is possibly the single most important issue for a satisfactory participation in international trade. However, the revolution created by global information and access to technology has simply not reached tens of millions of children in primary education age who are now out of school. Lack of access to education has not reached all equally: the burden has been overwhelmingly put on the shoulders of poorest communities in developing countries. This can also be said about basic health. Lacking access to clean water, enough food, medical services or basic medicines, poor people are most likely to get infectious diseases and die because of them. But lack of health is not only a result of poverty, but can also be a cause of it: individual episodes or chronic diseases caused by malnourishment can trap families in extreme poverty, reducing productivity and impeding access to employment and basic income.

c) **Social and economic structures of the agricultural sector**: the differences between developed and developing countries, and among and within developing countries themselves, are considerable: The structural underdeveloped nature of the latter, their high incidence of poverty, the high proportion of their population living with hunger and fear of starvation, their huge rural population whose livelihood derives largely from subsistence farming, their comparative advantage in the production of agricultural products, their technology, their public support, etc. All of these factors are relevant when it comes to the impact of trade and the allocation of its benefits, loses, risks and
opportunities. Arguable as they are, the latest World Bank studies on the potential of full agricultural liberalization for global growth help to illustrate this idea: Describing the impacts on real income from full liberalization of global merchandise trade, middle-income countries would be expected to gain as much as four times what low-income countries would (Anderson and Martin, 2005). The same could be said if we consider national realities where capital-intensive and export-oriented producers are likely to gain much more from the system than family or subsistence farmers.

Commodity dependence is one of the important variables to be considered in this regard, since its crisis has led many commodity-dependent countries into a poverty trap. Six of the ten poorest countries in the world are less prosperous than they were 20 years ago. These countries’ economies all depend heavily on exporting primary commodities (food and raw materials) to pay for imports. Agriculture has had to carry a growing burden in several countries that traditionally depended on mining. For example, commodities provide Malawi with 93 per cent of its exports, with just three crops accounting for 70 per cent, and the Yemen with 99 per cent of its exports. In half of these countries, the biggest export product is coffee.

Differences in natural endowments are as well critical. As Daniel de la Torre puts it:

“Agriculture is an ecosystem based enterprise and as such agriculture depends on the interaction of environmental and human factors. In terms of environmental factors, what is basic to any agricultural activity is the endowment of natural resources, such as the availability and characteristics of the soil, the climate in terms of temperature, moisture, sunlight, and the above or below ground water availability, and the topographic characteristics in terms of slope and landscape.”

Sub-Saharan Africa is a good example of the limitations imposed by natural endowments. The FAO classifies 11% of total land area in this sub-continent as arable or permanent crops and the World Resources Institute estimates that around 29% is permanent pasture. Of the remaining 60%, urban areas make up only a small portion of total land area, despite rapidly growing populations. The rest is made up of forests and woodland, roads, barren lands, deserts and so forth. These areas are unsuitable for the farming techniques that benefited from the ‘Green revolution’ productivity increases, and have thus been locked out to a large extent of rural poverty reduction. Livelihoods in these areas tend to be based on subsistence farming or natural resource extraction.

d) Public and private players: The problem of asymmetric relationships among state trading partners is not new. The history of economic colonisation during the 19th and early 20th centuries is very much the history of an asymmetric world where strongest partners such as Great Britain and France reaped most of the benefits in the detriment of weaker countries and communities. At that point, the main trading companies where

---

6 See EcoFair Trade Discussion Paper by Daniel de la Torre Ugarte. The theoretical elements of these arguments can be found in Meier and Rauch (2000).
owned, participated or protected by their respective Governments. In the 21st century, however, the role of national states as the sole international trading actor is over.

Transnational corporations (TNCs) are currently playing a key role in all the different phases of the agri-food chain, from production to retailing. Although we will not cover this issue here (see EcoFair Trade Dialogue Discussion Paper by Sophia Murphy, 2006), it must be stated that this is a fundamental element of the problem of asymmetries in international trade, particularly as regards to the issue of corporate concentration in agricultural markets. For many producers all over the planet, the behaviour of these companies has a much more direct effect on their lives than any international trading regulation. As Action Aid reports: “Agrifood TNCs are exercising their market power to raise the price of agricultural inputs, engage in unfair buying practices, form price-fixing cartels, shut local companies out of markets, and push down prices for farmers’ goods” (Action Aid 2005:4).

**Box 3. The unequal access to production inputs**

*Production inputs, such as water, fertilisers, pesticides or machinery are key in agricultural markets.* The figure below is a good illustration of how these inputs can be combined in different ways. Africa’s low yield is partly related to the low use of inputs. Other countries, such as France or the US, have achieved to get high yields through the intensive use of machinery and fertilisers. India and China’s agriculture is less productive, although the use of non-natural resources (such as water) is considerably less intensive.

Box 4. Urbanization and agriculture dependence in developing countries

Four decades of urbanization: all regions and almost all countries have joined a trend that began 200 years ago. Increasing urbanisation is related with the total increase of the populations, but it is also the result in the level of opportunities between rural and urban areas. Only in two regions (Africa and developing countries of Asia) rural population is still higher and will remain as such in the coming years.

The poorest, the most dependant on agriculture: although a number of the old clichés related with trade and agriculture are not true any more (see figure below, it is still a fact that the poorest countries still rely heavily on the agricultural sector. This is particularly true when livelihoods (and not overall economic output) are considered: in LDCs, seven out of ten employments depend on the agricultural sector.

**Source:** FAOSTAT

**Source:** World Development Indicators
While Governments operate in a fully (although not necessarily effective) regulated environment, TNCs are able to operate in the absence of any effective system of rules to regulate them and guarantee its contribution to global public goods such as a dignified labour and environmental sustainability. This situation has allowed them to set an extremely competitive ‘race to the bottom’ among some Governments and suppliers, which compete in weakening the regulation that protects public interest in order to attract higher levels of foreign investment. For a number of countries, this process has simply been denominated ‘stuck at the bottom’, since powerful corporations hinder Governments to increased standards such as on labor, environment or fiscal policies 8.

In other words, the structural asymmetries between the different actors play a major role in the distribution of the benefits of agricultural trade. They are determinant in the consideration of what is relevant (and, therefore, should be resolved) and what not: asymmetric power among trading partners is critical in the definition of the international economic agenda, which is now dominated by issues like free trade, intellectual property rights or corporate investment protection. Absent from the agenda are issues of critical importance to development such as international labour mobility, the declining price of tropical commodities or the mechanisms for guaranteeing developing countries’ policy space (UN 2005: 105-106).

The fact that international trade is currently taking place in a profoundly asymmetric world has been increasingly acknowledged by Governments and multilateral institutions. It is considered a fact that needs to be taken into account, the literature on it is extensive (see references at the end of this paper for a selection of it) and the rhetoric of trade agreements are addressing the issue in various ways, broadly denominated as special and differential treatment (SDT).

However, the reality of trade relations shows that rhetoric has not been matched by practice. Multilateral and regional negotiations have adopted a mercantilist approach where asymmetries have not been corrected by the system but abused by the bigger players in their own benefit. On the contrary, a closer look to the current WTO agreements implemented after the latest Uruguay Round shows that it’s the developed world that has effectively enjoyed a very special and differential treatment. For instance, the regulation on temperate agricultural products or textiles’ sectors —where developing countries have a considerable comparative advantage— has allowed rich countries to maintain very high barriers and public support (Stevens 2003). Likewise, technical, financial and political limitations have impeded developing countries to take advantage of some of the most critical tools in the enforcement of WTO rules, such as the Dispute settlement Understanding (DSU), the special safeguard or the antidumping mechanism.

At the end of the day, SDT provisions in trade agreements have most times been weak or ineffective, an excuse rather than any other thing. Moreover, the problem of

---

asymmetries in international trade cannot be resolved with such a narrow approach, as we will see in the final section of this paper.

2 The case for addressing the problem of international asymmetries

In the previous section we have shown how agricultural production and trade take place in a profoundly asymmetric context. States and individuals within them have different natural and geographical conditions, different economic and legal opportunities and, most of all, different power to take advantage of them. While the existence and relevance of these inequalities are recognized by most analysts and policy makers, these concerns have not been translated into adequate hard policies to resolve the problem. So far, measures taken at the global and the national levels have been weak, incomplete and hardly enforceable.

For the purpose of this paper, an while we recognize the relevance of internal inequalities, we will limit the analysis and proposals to the international level.

Our thesis is that international asymmetries are a major obstacle to the achievement of an ECOFAIR agriculture, and, therefore, is for this paper to propose measures that would help to resolve them. However, since the issue is so broad, this paper will focus its arguments and proposals on the trade related aspects of agriculture, looking at the current and future international agreements.

2.1 Why should this be relevant for us?

In the first place, it is morally indefensible. No society should tolerate the levels of poverty and deprivation currently suffered by an important part of the planet’s population. The prevalence of poverty is equal to the failure of Humanity, and the main and first challenge for us to face. If we want to talk about agriculture in the 21st century, we need to talk about the impossibility of 900 million people in the rural sector of developing countries to satisfy their most basic rights, such as food security, basic health and education, or the simple right to be heard.

Secondly, it is part of an enlightened self interest. The current burden of poverty and inequalities is posing a serious threat to the global future. Global warming, forced migrations, insecurity at all levels... all of these factors are intimately related to the persistence of unsustainable poverty levels just beside immoral concentrations of wealth. Agriculture and trade have a role to play in changing the current trends and redistributing global goods. It’s imperative that we all set a system in place where
current excluded countries and communities find their way into development and progress. It is about the common interest and the best way to pursue it.

In the third place, and related to the latter, taking into consideration and trying to correct these asymmetries is the only way to preserve the fragile multilateral trade system we have built, which is essential in order to face the global challenges of trade. Highly imperfect as it is, the WTO should offer the chance to build a participatory and inclusive system of rules that would help to make trade work for global prosperity. This is not what we have, and asymmetries are the main obstacle to it. Unless the current trend is dramatically changed, the weak credibility of the WTO will be definitively destroyed.

2.2 The starting point

What we are aiming for is a trade system which maximizes opportunities for all in a way that minimizes the impediments for others to progress. When countries use the trade system to impose their institutional and political interests on others, the result is the erosion of the system’s legitimacy and efficacy (Rodrik 2001:29). In this sense, there are two major problems with the current trade legal and institutional arrangements as they stand:

There’s a serious ideological prejudgement in the way trade policies are designed and implemented: trade is the path to development, and markets’ liberalisation is the best way to pursue it. Although this idea has been convincingly questioned by many (see references at the beginning of this paper), this assumption soaks each and every one of the trade agreements, and defines the policy options available for developing countries.

The system is permanently abused by the strongest players, which exert their power adapting the rules to their own interests. Therefore, there is a problem with the rules, but there’s probably a bigger problem with the way these are understood and implemented.

The first question then is the most basic one: Whose multilateral trade system and for what purpose? The WTO preamble refers to the “raise of living standards” and to “sustainable development” as part of its core objectives. However, it immediately points to the “reduction of tariffs and other barriers to trade” as the means to achieve that. This is precisely what has to be challenged. As Dani Rodrik has put it, “imagine a trading regime in which trade rules are determined so as to maximize development potential, particularly of the poorest nations in the world. Instead of asking «how do we maximize trade and market access? », negotiators would ask «how do we enable countries to grow out of poverty? » Would such a regime look different than the one that exists currently?” (Rodrik 2001).

The latter implies a change of paradigm at the WTO and other trade agreements, the one that would guarantee the common interest. This will only occur if we are able to create
an inclusive organisation that is built on flexibility (Page & Kleen, 2005), i.e. a meaningful system of Special and Differential Treatment (SDT) that would go much further than the current ‘corrective’ schemes. Somehow, this is the same logic which has been followed by all developed economies: the introduction of progressive corrective mechanisms that would allow Governments to defend the general interest protecting the weakest with the resources of the wealthiest. Within the limits of our states or provinces, we consider that such a system is not only fairer, but also the one that is best to pursue common public goods, “the price we pay for civilization” (O.W. Holmes). Unless we think that multilateral organisations and rules should not be built on the basis of the common interest, why should it be different at the global level?

Again, we must insist on the fact these principles are particularly relevant if we talk about agriculture. As we stated in previous sections of this document, agriculture plays an essential and irreplaceable role in guaranteeing both food security and a source of income for two thirds of world’s poor. It is also key in terms of affecting the provision of other social and environmental public goods. For these reasons, the agricultural sector has an exceptional nature which must be recognised in trade agreements.

In the last section of this paper we will try to develop this idea, analysing how this problem has been addressed so far and suggesting some policy proposals that could be agreed in order to achieve the kind of trade system we are looking for. Put simply, it is a trade system which combines proactive steps from developed countries while allows poor countries to make the right decisions. In other words, a system that helps, but, in the first place, does not harm.

Not many would disagree with the first part of the previous phrase (even if, when it comes to reduce self-privileges, practice has little to do with rhetoric), but consensus is much less clear as regards to the second. We are referring to the need of developing countries to count on a sufficient policy space in its economic policies, the one industrialised countries have enjoyed in the past. Since this is a crucial element of any meaningful strategy to address the problem of asymmetries, we’ll stop briefly on it in order to build the case and establish the limits that have to be taken into consideration.

### 2.3 The need for policy space

Poor countries’ development goes beyond growth through existing structures. The idea of an enhanced ‘policy space’ for countries to pursue their own path to development has been extensively argued by a number of authors (see Rodrik, 2001; Chang, 2005; Rodrik & Rodriguez, 1999). The logic is arguable but simple: benefits of trade liberalisation are not automatic, but largely depend on its range, pace and opportunity, as well as on the complementary national measures that will set the basis for future economic growth and integration; Governments should have the right and the obligation to guarantee them. Dani Rodrik has been one of the authors to develop these elements in detail. Basically, a “[development-friendly trading regime is one that] enables poor
countries to experiment with institutional arrangements and leaves room for them to devise their own, possibly divergent solutions to the development bottlenecks they face” (Rodrik 2001).

This thesis basically contradicts the orthodox views about trade openness, growth and poverty reduction championed by the International Financial Institutions and closely followed by Northern-driven development official agencies. In a nutshell, they justify their support for rapid import liberalisation by reference to World Bank research (Dollar and Kraay, 2001) which seeks to establish that trade liberalisation is good for growth, and that the poor share in the benefits of growth on an equitable basis.

However, a closer look to the cases presented as a proof of the benefits of rapid trade integration shows a very different panorama. Like a number of authors have stated now (Rodrik and Rodriguez 2001; Oxfam 2002), many of the countries that are integrating most successfully into world markets – such as China, Thailand, and Vietnam – are not rapid import liberalisers. Conversely, many rapid import liberalisers have a weak record on poverty reduction, despite following the spirit and the letter of World Bank–IMF policy advice. As a matter of fact, in many countries rapid liberalisation has been associated with rising inequality and poverty (Oxfam 2002).

The latter does not mean that protectionist policies are necessarily the path to follow. In fact, the uncomfortable answer to this dilemma is that there’s no such straight forward answer to it. The links between trade policy and poverty reduction depend on market openness, but also on a number of other elements, such as dynamic comparative advantages, distribution policies, reciprocal responses from other actors, etc. What is clear from all of the successful development experiences is that a reasonable level of policy space for national States needs to be granted.

As regards to agriculture, there are at least three good reasons why Southern Governments should fight to preserve adequate policy space in the current and future trade negotiations (Oxfam, 2005):

Offset price volatility: World market prices for staple food crops and other commodities are volatile. Between 1985 and 2002, the average world market price of rice was $260, but it fluctuated between $310 and $185. Such a drop in the cost of imports can trigger sudden import surges and depress the local market price. Developing countries need to be able to raise their applied tariffs in response.

Preserve future policy options: Crops that appear unthreatened by imports today could well need tariff protection in the future, but the cost of raising bound tariffs is high. Prior to the Uruguay Round, India had bound its tariffs for rice and several other crops at zero. Increasing import pressures on domestic producers led the government, in 1996, to renegotiate these bindings to levels between 50 and 80 per cent. The negotiations —

---

9 UNCTAD examined the trade liberalisation experience of 66 developing countries over five years (1990-95 or 1995-2000) and concluded that the relationship between trade liberalisation and poverty reduction was neither automatic nor straightforward (cited in UN 2005:112)
held separately with the US, the EU, and Australia — took three years and required substantial compensation for each.

**Negotiate future rounds:** Rich countries have still not made meaningful cuts in their heavy subsidies to agriculture and, judging by limited progress in the current negotiations, are unlikely to do so in the Doha Round. Dumping goes on. In return for eliminating them in future rounds, rich countries are likely to demand further tariff cuts from developing countries in return. Hence the need for developing countries to retain tariff negotiating space in the current round.

Policy space is constricted by the current trade and financial system. The reason is that these policies are often seen as an unnecessary cost that undermines critical economic discipline and international competitiveness (UN, 2005). In this sense, many would argue that the WTO is not necessarily the problem. For developing countries, multilateral trade agreements have probably been the weakest engine for market liberalisation. Almost in all the key areas of development — and certainly in agriculture — there’s still a considerable scope for poor countries to protect their markets (in the case of LDCs, this scope is even guaranteed *sine die*). While this might be true, there are important considerations that need to be taken into account:

Is not so much that developing countries’ liberalisation has not been enforced under the WTO regulation, but that other elements have been much more enforcing. Between 1990 and 2000, developing countries cut their average applied tariffs on agricultural imports from 30 per cent to 18 per cent. Across all tariffs, unilateral cuts — many of them under IMF and World Bank programmes — account for 66 per cent of the total. Tariff cuts due to WTO commitments accounted for 25 per cent, while the proliferation of regional trade agreements generated a further 10 per cent (Oxfam, 2005).

The WTO is a serious potential problem, not least because it would lower down the floor for other trade agreements. The current Doha Round negotiating proposals that have been made by the EU and the US would mean cuts for an important number of developing countries in some development-sensitive sectors. For example, the US proposal would force fourteen developing countries to cut their current tariffs on poultry, while the G20 and the EU proposals would do so on four developing countries. This could lead to the destruction of vital agricultural sectors, and threaten food security and livelihoods (Oxfam, 2005a).

The current negotiating process attaches as well a number of potential opportunities, particularly if certain instruments such as Special Products and the Special Safeguard Mechanism are included as part of the agreement (see next section on proposals). It is crucial, however, that coherence among trade agreements is granted, and the benefits of these instruments are also recognised in them.

---

10 The exception to this rule are new acceding WTO member status, which usually go through a harsh reduction of barriers, including the consolidated level of tariffs.
2.4 Are there limits to the aim of a meaningful policy space?

The idea of an ‘inclusive’ approach to trade agreements in order to make them more effective is something very few would disagree with. However, there’s no easy way to implement this idea in practice. As experience has shown, the implementation of SDT provisions (and, to a broader extent, the debate on policy space) in the past has raised a number of problems and counter-arguments (see Page & Kleen 2005; and Fritz, 2005 for a complete review of these):

First, an expanded concept of SDT is contrary to the very idea of a multilateral system of rules that oblige all of its members. The proliferation of exceptionalities weakens the effectiveness and enforceability of the agreements.

Second, as pointed out by Page and Kleen (2005), the chance to get exempted from agreements would lower the pressure for some Governments to pursue policies which are painful but necessary. The right for space does not guarantee that this space will not be used in the benefit of local vested interests and against the benefit of a majority of the population. Some have argued that, rather than expanding them, current SDT provisions should be used as a trade off for developed countries’ liberalisation, which is in their view the most direct closer path to development (Anderson and Martin, 2005).

In the third place, the fact that a country or a group of countries are getting a ‘special treatment’ of any kind can undermine their offensive strategy. When LDCs, for instance, received a ‘round for free’ from the rest of WTO members, their capacity to demand changes from others was seriously undermined. In this sense, limits could be established unilaterally by some countries that do not want to lose negotiating power or which want to facilitate SDT for others. This was the case of the TRIPs and Health provision agreed in 2002, when some developing countries voluntarily announced that they would not use it.

Fourthly, it will always be the case that some developing countries will be excluded from these benefits, and they will not be necessarily happy about it. Recently, India raised a panel on the EU’s Generalised System of Preferences on the basis of a discrimination against them. This was also the case of Ecuador and other Latin American countries, who consider the EU’s preferential access for ACP countries a discrimination against them.

Finally, it has to be taken into account that some countries might be willing to make the broader liberalisation agreement fail in order to force the preservation of their status. Some ACP countries, for instance, have been accused of blocking the progress of the Doha Round in order to maintain the advantages they currently enjoy in their access to the European markets.\footnote{In fairness, this is also because the current talks offer no compensation or other gain for them in other sectors. Compensating the losers would be a crucial SDT principle.}
All of these arguments are legitimate and must be taken into consideration, but they should not impede the implementation of a truly effective mechanism of SDT through enhanced policy space. At the end of the day, guarantees for a proper balance should come from national constituencies and leaders defining their own national interest and establishing the limits of these exceptionalities to the rule, and not leaving these decisions to non-elected officials in international institutions.

Box 5. Why Food Sovereignty is problematic

In the last years a number of social movements, NGOs and analysts have used the concept of Food Sovereignty (FS) as a basic demand related to the regulation of agricultural trade. As defined by La Via Campesina, “People in every country must have the right and ability to define their own food, farming, and agricultural policies, the right to protect their domestic markets and the right to maintain public subsidies that support peasant-based sustainable production, at the same time ensuring safe and affordable food for all members of society. All of this without practising dumping in other countries”. All through the WTO negotiating process, the defendants of food sovereignty have argued that agriculture should be excluded from this institution’s agreements.

Beyond its success in agglutinating the fair struggle of millions of individuals and communities around the world (including some farmers’ organisations in the North), there are obvious positive elements in this idea, notably the pre-eminence of people over markets, the defence of family farming and local markets, and the need to abolish dumping practices. Moreover, FS is apparently consistent with the idea of policy space that we have defended above.

However, a closer look to the way this concept has been interpreted by most of its defendants shows that its implementation would cause a number of practical and political problems. The most important ones are related with the particular conception of agricultural markets associated to FS:

**It is unfair, since it treats all players equally:** The multilateral trading system is based on the idea of mutual concessions in order to pursue the common interest. As we have argued in this paper, there are a number of reasons that would justify exceptions to this reciprocity. But, in order to guarantee a fair system, these exceptions have to be objective and based on the different capacity of the players, for they have direct and opportunity costs for the rest. The problem is that FS lacks these criteria. The concept is equally acceptable for rich and for poor countries; for those that have resources to buy food and for those that necessarily have to rely on local production; for more competitive and for less competitive farmers. Actually, such a system can only be understood in the complete absence of trade, or even isolated from other economic sectors.

**It is a dangerous concept, since it undermines the potential of multilateral regulation of trade:** There are serious strategic risks attached to this concept, since the value of FS is related to the capacity of states and their peoples to exercise it, so the strongest players could abuse the mechanism in the detriment of the weakest. Taking agriculture out of the WTO would have the effect of eliminating any pressure on developed countries to reform their harmful agricultural policies, as well as undermining a system that could bring important benefits in other economic areas. This would happen with no clear compensation for developing countries, that would still be vulnerable to liberalisation pressures coming from International Financial Institutions and regional or bilateral trade agreements.

**It is about agricultural protectionism, not about sovereignty:** The proponents of FS do not argue in favour of people’s right to choose, but in using it to make certain policy choices: high protection of agriculture, focus on local markets and food self sufficiency, taking agriculture out of the WTO, but with no plausible alternative for a multilateral regulatory framework of trade. Leaving aside the implications of this option for food imports and export related national income that is derived from international markets – and which is critical in most developing economies.

For this reason, many would think that FS is an attractive concept for Northern farmers like the Europeans, whose capacity to influence their own Governments is disproportionate, and therefore could
always expect that subsidies and protection would remain. For poor countries, the best alternative is still a secure multilateral system of rules where States and their societies can make decisions under a fair balance of rights and responsibilities. The WTO is still far from this idea, but its alternatives may prove to be worse.

3 Approaches on Special and Differential Treatment in trade agreements

3.1 Special and Differential Treatment in current agreements

The concept of special and differential treatment (SDT) and “less than full reciprocity” in trade liberalisation commitments have been part of GATT and then part of the WTO regulation (see table 1 below). The agreement forming the WTO specifically calls for ensuring that developing countries and LDCs “secure a share in the growth of international trade commensurate with their economic development”, and in theory it is understood that its provisions will help to achieve it.

SDT provided under Uruguay Round agreements – including extended transition periods for compliance with WTO rules and lesser commitments such as smaller tariff reductions – were not seen as meaningful or effective ways of addressing needs of developing countries in international trading system. Some provisions in the UR rules required developed countries to help developing countries better integrate in world trade and develop economically, for example through technology transfer. But these consist largely of “best endeavours” language and were never implemented properly, in the view of developing countries and LDCs (see table below) (FAO 2002; Stevens 2003). For these reasons, developing countries and LDCs were reluctant to launch a new round until the impact of the UR had been assessed and implementation of the UR provisions promoting development was complete.

The Doha Development Round appeared like a good opportunity to redress some of the imbalances in implementation, to strengthen and render more effective existing SDT provisions, and to introduce new forms of meaningful SDT. In fact, this is one area where poor countries, particularly LDCs, could have gained something from the Round. A large number of proposals on enhancing SDT and improving “implementation” of pro-development issues were tabled, but by the end of 2005 there was progress only on a few of them. Even these (such as the duty free – quota free market access for LDCs) were watered-down due to rich countries vested interests or subject to public relations needs (aid for trade offered at Hong Kong was based on recycled development funds

---

12 According to Stevens (2003:5), over 85 proposals were submitted at Doha for changes to existing provisions on SDT, but by December 2002 there was an agreement on only five of these.
and made conditional to liberalisation commitments). Only in the area of agricultural protection the current negotiating texts include stronger language (particularly on SPs and SSM).

Developed countries have been primarily responsible for this lack of progress, trying to justify their meanness behind the difficulties to ‘differentiate’ among developing countries. However, it is also a fact that some of the obstacles to current SDT have been raised by precisely other developing countries that are not getting it. For one thing or the other, the fact is that this round has nothing to do with the development promises made four years ago.

Weak as they are, current SDT proposals at the Doha Round might be useless – and even counterproductive — in the future:

Most of them are still non-enforceable: Aid for trade and free markets access for LDCs are a unilateral and temporary concession from rich countries. They could withdraw their offers or fail to implement them when the public attention is lowered and nobody could raise a panel against them.

Diversity of developing countries makes them very hard to be implemented or encouraged.

They include dangerous trade-offs for developing countries: SDT is used as a bargaining cheap by the strongest players at the WTO. In other words, any concession on the ‘defensive’ agenda of developing countries (such as the round for free or the introduction of SPs) can critically undermine their demands in other areas (for instance, the elimination of trade distorting support).

Regional and bilateral agreements could make multilateral SDT irrelevant: There’s something positive that can be said about the WTO process, however: in terms of SDT for developing countries, regional and bilateral trade agreements involving developed and developing countries at the same time have proved to be much worse: including ‘WTO plus’ provisions in highly-sensitive areas such as intellectual property or investment, asking for full reciprocity to developing signatories and excluding from the negotiations key areas of interest for them (like the use of distorting agricultural subsidies, for instance).
Table 1. The evolution of SDT in multilateral trade agreements

<table>
<thead>
<tr>
<th>GATT (pre-Uruguay Round)</th>
<th>GATT (Uruguay Round)</th>
<th>WTO (Uruguay Round rules)</th>
<th>WTO (Doha Round negotiations)</th>
</tr>
</thead>
<tbody>
<tr>
<td>· Since 1947, GATT rules were considerably flexible, allowing developing members to protect imports and use domestic policy to develop particular sectors.</td>
<td>· The Uruguay Round (UR) attempted to end all permanent differentiation, although it not formally changed the Enabling Clause.</td>
<td>· The WTO considers three different forms of SDT: 1) Modulation of commitments: Temporary (or even permanent in the case of LDCs) flexibility in commitments and implementation periods. Legally enforceable. 2) Trade preferences: Increased market access opportunities for developing countries (such as preferences or free access for LDCs). Legal enforceability is questionable. 3) Declarations of support, like technical and financial assistance, for instance, or the Marrakech Declaration inherited from the UR. Non mandatory at all.</td>
<td>· Increasing pressure to address the problem of <em>differentiation</em> for developing countries. LDCs as the only group to be clearly targeted for SDT.</td>
</tr>
<tr>
<td>· A number of developments of the previous rules included modifications in the Dispute Settlement procedure and exceptions to the Most Favoured Nation clause.</td>
<td>· However, most of the SDT was limited to longer implementation periods or partially reduced liberalisation commitments.</td>
<td></td>
<td>· As regards to the current negotiating proposals, SDT has been focused on the following elements: 1) A <em>round for free</em> for LDCs, together with free market access in the main Northern economies. 2) Longer implementation periods and liberalisation commitments. 3) Offers on aid for trade.</td>
</tr>
<tr>
<td>· In 1979 the Enabling Clause was adopted to allow preferential treatment to certain developing countries and LDCs.</td>
<td>· On services (included for the first time), the agreement would allow developing countries to opt-in through a ‘positive list’ approach.</td>
<td></td>
<td>4) Permanent waiver on the conflict between intellectual property rules and access to basic medicines.</td>
</tr>
<tr>
<td></td>
<td>· The so called ‘Marrakech Declaration’ is approved in order to address the problems that NFIDCs could potentially face.</td>
<td></td>
<td>5) On agriculture, developing countries are aiming to get special products and the special safeguard mechanism included in the text. They are also aiming to retain flexibility in the tariff reduction formula, as well as in the use of certain forms of domestic ‘distorting’ support.</td>
</tr>
<tr>
<td></td>
<td>· As regards to the rest of the Agreement on Agriculture, SDT is limited to longer implementation timelines and more limited reductions in tariffs and subsidies.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Sources*: Page and Klee (2005); Assael (2004); IIISD (2003);
3.2 Who deserves special treatment? Current forms of differentiation

Differentiation refers to the categorization of WTO members into ‘developing countries’ or ‘LDCs’. Belonging to one of these groups means that a member has recourse to Special and Differential Treatment (SDT), which consists of favourable provisions such as longer transition periods for implementing WTO agreements, smaller tariff cuts, and other flexibilities.

The difficulties to address the problem of differentiation are technical on the one side, but are also politically difficult to ‘sell’ in an organization that works by consensus (IISD, 2003): apart from developed countries reluctance, categories will be difficult to be accepted by those developing countries which do not benefit from them. So far, the WTO agreements include four broad categories of countries: developed, developing, LDCs and, for agriculture, Net Food Importing Developing Countries. A new category of ‘recently acceded’ member states has been recently added, and other informal groups could be considered, as the list of countries currently benefiting from preferential access on some products.

Rich countries have been pushing for differentiation or “graduation” of certain countries, which would involve removing them from the developing country category at the WTO. They claim that it is unfair for countries that have reached a certain level of competitiveness to retain the ability to use SDT provisions, and they have threatened to refuse to agree to strong SDT in this round if Brazil, India and others retain access to SDT as ‘developing countries’.

The rationale given by rich countries for graduating DCs is that the country no longer needs SDT measures to promote development. However, analysis of the countries targeted reveals that rich countries are pushing for their graduation because they are competitive exporters in certain products and they constitute potentially lucrative markets, rather than based on assessment of the country’s level of poverty, development and human welfare. The countries most often cited by rich countries as candidates for graduation are China, India, Brazil, and South Africa, although Singapore, Korea, and others also get mentioned.

Moreover, as Ajit Singh has pointed out, “... Analysis suggests that, provided import surges can be controlled by multilaterally agreed safeguard measures, there are unlikely to be significant net economic costs to ACs of allowing a universalist S&DT regime in DCs. In view of this, it is not surprising that the DCs view the AC emphasis on graduation and differentiation as being politically motivated and designed to create further divisions among the DCs. Since there is a vast gap between countries in their relative political and economic strengths, more
divisions among developing countries would further reduce their bargaining power in a uni-polar world, and lead to even greater imbalances between the North and the South.... To sum up, the North’s insistence on graduation and differentiation is a mercantilist misconception from which it needs to be weaned away, so that attention can be focused on the real and substantive issues of the kinds of S&DT which would best help emerging countries.” (Singh 2003).

<table>
<thead>
<tr>
<th>Box 6. Existing proposals to differentiate countries</th>
</tr>
</thead>
</table>
| In general terms, the most common and frequently used country classifications are based on a few criteria, which have been helpfully classified by Jonas Kasteng et al. (2003):

**Classification on the basis of GDP per capita:** This classification system is used by the World Bank, UNCTAD and OECD. The World Bank uses the following categories: Low-Income Countries (LICs), Lower-Middle-Income Countries (LMICs), Upper-Middle-Income Countries (UMICs) or High-Income Countries (HICs).

**Classification on the basis of net trade position:** According to the FAO trade statistics, the developing countries can be classified in the following categories: Net Agricultural-Exporters (NAEX), Net Agricultural-Importers (NAIM), Net Food-Exporters (NFEX) or Net Food-Importers (NFIM).

**Classification on the basis of common characteristics:** The United Nations System defines several categories of developing countries according to common characteristics: Least Developed Countries (LDCs), Land-Locked Developing Countries (LLDCs), Small Island Developing States (SIDS), Transition Markets (TRANS) and Low-Income Food Deficit Countries (LIFDCs).

**Classification on the basis of human development:** UNDP uses the Human Development Index to classify the countries into the following groups: Low Human Development, Medium Human Development or High Human Development.

**Classification on the basis of geographic location:** The United Nations also group the countries according to their geographic location in different regions: Latin America and the Caribbean, Sub-Saharan Africa, East Asia and the Pacific, Europe and Central Asia, Middle East and North Africa, and South Asia.

There are different approaches to this issue, as we show in box 6. The World Bank has a scheme whereby countries at certain levels of per capita income graduate from its programs; the EU graduates countries from its preference schemes based on the volume of their imports to the EU (as a percentage of all imports that come in under preferences). So, graduation already exists based on criteria that are largely economic and commercial, but which does not take into account levels of human development. A country may be competitive in some sectors, but this is not an indication of whether it is developed. This is most clear in relation to developing countries that are competitive agricultural exporters; rich countries seem reluctant to grant them access to SDT provisions enabling them to protect small farmers, even though this is a separate issue from export
competitiveness. In many developing countries, competitive sectors co-exist with sectors completely unable to compete.

As regards to the WTO, there are initiatives undertaken by developing country members to carve out special treatment outside the official WTO groups, categorizing themselves based on specific challenges they face. For example, some countries are creating ad-hoc groups to request special treatment based on their economic or geographic circumstances: island states, landlocked states, countries in transition and others are now joining the ACP, LDC, and Africa Groups in requesting special treatment in this round. A group of countries have now formed a broader alliance to promote an initiative on “small economies” although at this point it is unclear if they will come up with a clear proposal that encompasses all of their (very different) interests. Discussion of the challenges facing “small economies” is mentioned in the current negotiating texts, which is why the countries are seeking to define themselves as such.

Critical issues are, therefore, how and when the issue should be addressed in WTO agreements/negotiations, and whether graduation should be considered on the basis of developmental indicators rather than commercial/economic terms. When we discuss “differentiation” we are talking about (a) “graduation” and efforts by rich countries to graduate certain DCs out of that category based on their competitiveness in certain export sectors, and (b) “categorization” of countries based on their development needs (preference-dependent countries, small economies, etc).

Despite of the differences among poor countries’ situation and negotiating strategies, most of them (as well as most of NGOs) are very reluctant to bring this issue into the current negotiations, since this would play into the hands of rich country strategy and could possibly undermine unity of the broader developing country category. If anyone were to set forth a position on graduation, the rich countries may use NGOs’ line of demarcation as an indication of how far they could go. This position is fully justified in the light of rich countries’ double standards in the implementation of WTO commitments, as well as the attempts of the EU and the US to ‘divide and conquer’ developing countries in the last Hong Kong Ministerial Meeting. Put simply this is not an issue for this Round, and developed countries should not try to use it in order to divert the attention from what they are not doing.

The current criteria, described above, is far from satisfying developed countries and a number of developing members as well. There are a whole variety of proposals for modifying the criteria used. The most attractive and thought-provoking ones have to do with the introduction of hard development approaches, such as the ones related with food insecurity developed by Chris Stevens (FAO 2002), which are built on a series of indicators around the concepts of calorie
supply and agricultural dependence. Another relevant study by Hoekman (Hoekman 2004), has focused its proposals on a softer approach, based on cooperative mechanisms and the commitments of developed countries to assist developing ones and eliminate their most distorting practices. Finally, Sheila Page (2001) has thoroughly revised the different classification criteria, showing that many different options are possible (based on development indicators, size or permanent differences) provided that certain criteria are fulfilled.

In the next section we’ll explore potential solutions to this problem, as well as other elements of an agenda to make trade fair in the context of an asymmetric world.

4 Policy Proposals for an eco-fair solution to asymmetries

There is no future for a fair and sustainable agricultural trade if the system does not undergo a radical reform that makes rules compatible with public interest and with commitments in the fight against poverty. The risk is that a combination of political inertia on the part of governments, on the one hand, and of economic privileges of the large companies and landowners, on the other, will prevent the necessary change in approach. As we said before, the key lies in abandoning a regulatory framework based on the maximisation of trade and market access, and pursue instead one that enables countries to grow out of poverty. A balance of rights and obligations where everybody would see their interests recognised.

Beginning with a section that describes the concept of Special and Differential Treatment as the basis to address asymmetries, in the following pages we will describe the elements of an agenda that would help us to walk in that direction. Most of them are circumscribed to the WTO regulatory system, which could be seen as not radical enough. I disagree. In my view, even if these proposals can these days be heard in the most orthodox economic fora, its actual implementation would have radical consequences in the way we understand agricultural trade. When, after historic struggle, we have multilateral rules and institutions in place, I feel that it is our duty to make them work and work in the common interest, rather than reinventing the wheel in the sake of political correctness.

Provisions for a fair regulation of trade are necessary if developing countries are to engage in further negotiations. But the limitations described above make it necessary to establish a number of technical and political principles that should be
considered in the implementation of policies and practices that would reduce the negative effects of asymmetries. Some of them could be the following\(^\text{13}\):

*Fair regulation of trade* should be meaningful for all developing countries, in particular for LDCs, and should facilitate their integration in the multilateral trading system, and increasing the benefits of trade for them.

Agriculture must play an outstanding role in the *fair regulation of trade*, since it cannot be dealt with as any other economic sector: there’s an intense debate around this ‘particularity’ of agriculture, too often used by large producers as an excuse for maintaining ‘business as usual’. However, it must be recognised that the importance of agricultural production goes beyond its mere economic value, because of its social, environmental and demographic implications. For different reasons, this is true in developing and developed countries, and both deserve the right to deal with the agricultural sector in a distinctive manner, that should be made compatible with a broader agreement on trade.

If meaningful, *fair regulation of trade* should not be considered ‘soft law’, but an integral part of trade agreements, in the absence of which the whole picture could not be understood. As any other trade provision, SDT must be accompanied by measures to enforce it (Stevens, 2003).

*Fair regulation of trade* should not replace those global and national policies that are necessary to make agricultural production and trade work for the poor. From fair access to assets to the fight against corporate control of resources, some non-WTO measures are necessary and SDT is not a substitute for them.

In the light of the latter, I suggest to consider five different areas of work in order to address the problems created by asymmetries in international trade and agriculture\(^\text{14}\):

- A pro-development Agreement on Agriculture at the WTO
- Meaningful economic compensation and assistance
- Redressing asymmetries in the power politics of trade agreements
- Measures beyond the WTO
- A solution to the problem of differentiation among developing countries

\(^{13}\) Some of these ideas have been taken from Page and Kleen (2205), Corrales (2005) and UNDP (2003).

\(^{14}\) As we said earlier, these areas do not cover all the different problems related with asymmetries in trade in agriculture. Some, like corporate regulation and national inequalities, have not been dealt with here but in different discussion papers of the EcoFair Trade Dialogue.
4.1 A pro-development Agreement on Agriculture at the WTO

The need for policy space
Developing countries must be allowed to regulate trade flows to support agriculture to ensure food security, rural development, and long-term growth. That requires reduction in the pressures currently being exerted on developing countries to liberalise their agricultural imports. The particularities of agriculture are also relevant for developed economies, which should keep the right to preserve their rural sectors through non-harmful mechanisms of protection. A new agreement on agriculture in the WTO should include the following:

A sentence in the preamble of the new Agreement on Agriculture should clarify that, ‘Nothing in this agreement shall prevent developing countries from promoting development goals, poverty reduction, food security, and livelihood concerns.’

A pro-development tariff reduction formula that does not exert excessive pressure on developing country tariffs. This includes the use of a flexible formula — similar to that used during the previous round of WTO negotiations — with lower percentage reductions for developing countries, as well as longer implementation periods. Least Developed Countries should remain exempted from any tariff reductions.

The full exemption of food security crops from tariff reductions for developing countries. These ‘special products’ should be self-selected by developing countries on the basis of the criteria set in the ‘July framework’ (i.e. food security, livelihood security, and rural development needs). When appropriate, developing countries should be allowed to continue using quantitative restrictions or renegotiate bound tariffs.

A Special Safeguard Mechanism (SSM) for all developing countries, without product limitation, to smooth out excessive fluctuations in domestic price and volumes of imports. The SSM should be available for all crops and to all developing countries, including LDCs, not just the 21 that qualify for the existing safeguard. It also needs to be easier and quicker to use.

An effective self-defence mechanism to respond to potential dumping practices. As long as agricultural dumping is not strictly prohibited by the WTO, developing countries are particularly vulnerable to sudden and unforeseen increases in levels of subsidies in major producing countries. To enhance transparency about such practices, the WTO secretariat should each year compute costs of production and export prices for agricultural products receiving subsidies. On the basis of that information, developing countries should be allowed to add a percentage tariff
equivalent to the dumping margin to their bound tariff levels. This would be a useful recourse for countries that would otherwise be competitive and would not seek permanent protection under the formula of ‘special products’.

**The end of special treatment for the richest countries**
The AoA is failing to serve the purpose for which it was intended: identifying and eliminating harmful practices provoked by the kind of farm protection which has negative effects for others. In the longer term, it will need to be reformed radically, in parallel with the reform of national agricultural policies in the USA, the EU and other developed countries. This does not imply that all subsidies or tariffs should disappear, but the legal capacity of rich countries to keep socially and environmentally friendly subsidies in place should depend on their capacity to prove that they do not significantly harm prospects of developing countries:

Any agreement should curb export dumping by eliminating all forms of export subsidies and introducing strong disciplines on other subsidies that have an effect on production and trade.

The Uruguay Round agreement contains a number of loopholes that have permitted developed countries to get around the rules. Stricter disciplines are needed to guarantee that payments are classified according to their real distorting effect, in particular as it regards to the Green Box. Because current Green Box payments influence production, additional disciplines need to be agreed to prevent such distortions. Green Box payments should only be allowed when payments provide clear benefits for small farmers or the environment in rural areas, and/or indirect benefits to developing countries. Developing countries should be allowed to maintain or increase levels of subsidies, and use state trading enterprises or export taxes to promote sustainable agriculture and support poor farmers.

**Avoid or compensate preference erosion**
Increasing opportunities for a larger number of developing countries will affect those that are currently getting a preferential access to Northern markets (particularly the EU). The increased competition and the lower prices resulting from liberalisation may compromise the viability of some industries. Various options need to be considered.

Developed countries could create a quota buy-back scheme under which some preferential suppliers could transfer their export product quota back to them in return for a guaranteed flow of development financing. Such a scheme would have advantages for very high-cost producers unable to adjust to new market conditions. For other producers, developed countries should create a development
assistance fund that would be used to support restructuring and poverty-mitigation measures through targeted assistance.

**A response to Net Food Importing Developing Countries**

Nearly all Least Developed Countries (LDCs) are also Net Food-Importing Developing Countries (NFIDCs). Despite the complexities of agricultural markets and the inelasticities in price composition in many of the poorest countries, the elimination of export subsidies could harm them causing prices to rise in the short term, so such price rises should be compensated. The Marrakech Decision on Net Food-Importing Developing Countries should be implemented by ensuring that:

If, due to the effect of the Doha Round, or through simple market forces, food prices increase, a food import financing facility is made available to developing countries to help them subsidise food, as recently proposed by the Africa Group at the WTO;

Increasing amounts of development aid are made available to relieve food supply constraints and develop the efficient local production of staple foods, so that NFIDCs are less dependent on imports.

**4.2 Meaningful economic compensation and assistance**

As the Commission for Africa report comments, major increases in aid investments are necessary to build developing countries capacity to trade, particularly in infrastructure and communications. Efforts to date to support them have been made on a best-endavour basis, and in a constrained environment for aid resources, trade-related issues have justifiably had to compete with priority sectors such as health and education. But assistance is also needed to address the impacts of preference erosion, loss of tariff revenue, social costs, and to provide support to efforts to undertake trade facilitation efforts and meet standards.

Combined bilateral and multilateral flows of aid for trade have increased in recent years to $2.7bn in 2003. This accounts for around 4 per cent of all development aid, yet funds have been insufficient and painstakingly slow to arrive. While there are no firm estimates on how much it might cost to overcome the obstacles to trade detailed above, $3bn annually, spread across more than 100 developing and least-developed countries, is clearly not enough.

To date, the main effort has proceeded from the so-called Integrated Framework (IF), a multi-agency initiative led by the WB and participated by others such as the IMF, UNDP, UNCTAD, the ITC, and the WTO. It is designed to streamline trade-related assistance plans into poor countries development strategies, by diagnosing a country’s trade needs and inserting these into the poverty reduction strategies designed by international financial institutions. So far, nearly all recipient countries have been LDCs.

In nearly a decade of operation, donors have scraped together just over $19.3m to fund diagnostic trade integration studies (DTIS), which have cost an average of $300,000–$400,000 per country. Only $8m has actually been disbursed to fund small trade capacity-building projects (which are capped at $1m per country). Despite the IF’s claim to be recipient-driven, transparent, and encompassing of civil society concerns, it has no explicit mandate for ensuring that these principles are carried through. Co-ordination has been dominated by the World Bank, an agency with a chequered history of persuading countries to liberalize inappropriately, rather than nurturing a multi-donor and multi-stakeholder approach. In addition, efforts to disclose the findings of diagnostic studies to the general public are limited, and there is nothing to prevent the findings conflicting with a country’s existing poverty reduction goals. (Oxfam 2005: Note on aid for trade)

In order to make aid for trade measures useful to the broader changes that are needed to address asymmetries, it should:

Funds must be additional to existing aid budgets, not just current money redirected through a different delivery mechanism.

Aid for trade should be available to all developing countries, not just LDCs, or those that meet the IF criteria.

The money must not be conditional upon recipient countries' behaviour in the WTO Round, or any other economic or political conditionality.

Any aid-for trade package must not be seen as a substitute for fairer trade policies. It is highly unlikely that technical assistance alone would get poor countries into a position where they can trade effectively – therefore the money must be in addition to, not an alternative to, proper Special and Differential treatment and good trade rules.
4.3 Addressing asymmetries in the power politics of trade agreements

Formally, the WTO is the most democratic of all multilateral institutions: each Member State has a vote and decisions must be taken by consensus. This implies that a small African country has in theory the same capacity as the US or the EU to block an agreement during the negotiations. However, this formally democratic structure hides a large institutional deficit where rich countries have been able in the past to design the rules in their benefit and abuse the mechanisms to make them work. To some extent, the Doha Round has seen a change in those practices. Cancun Ministerial allowed developing countries in general –and the emerging economies in particular— to play a more important role in the process, at least as regards to the capacity to say no. There have also been considerable advances in the NGOs participation and the disclosure of documents.

Hong Kong, however, has brought everybody to reality. While developing countries’ negotiating blocks created along the last two years have kept their capacity to work together this Ministerial has seen a new example of business as usual. The WTO suffers from a democratic deficit in two major respects (Jawara & Kwa 2004; Oxfam 2002):

**Capacity and representation:** Rich and poor countries, when defending their own interests, are in very different positions. As the WTO’s agenda and influence has increased, the capacity of its members’ missions has increased. Five years ago there were an estimated 46 meetings of delegates each week, not counting informal discussions, and it is sure that there has been an increase since then. But eleven of the thirty Least Developed Countries, along with another nine developing countries, cannot afford to maintain delegations at the WTO’s base in Geneva. Moreover, delegates from the USA and the EU are supported by armies of commercial staff, lawyers, academic consultants, and special advisers, monitoring all aspects of WTO agreements in microscopic detail. The resulting differences in negotiating strength create inherent inequalities in the system.

**Informal power:** Despite the WTO’s principle of ‘one country one vote’ and the guarantees of consensus, power relationships are extremely unequal. This fact is reflected from the very beginning in the way the agenda is constituted and the negotiations held, but also in the use of key enforcement mechanisms such as the DSU. While the green room system is better than it was some years ago (there’s now a broader representation from all parties) the interests of the most powerful players are much better reflected, both at the smaller and the plenary meetings. At the end of the day, negotiations are very much about informal pressures, calls to capitals and arm-twisting practices. The Services’ negotiations at Hong Kong were a good example of this: despite of the open opposition from an important number of developing countries, the chair of the session followed the instructions
coming from the EU and the US in order to include a pro-negotiations text as part of the Ministerial Declaration.

The importance of resolving these issues goes far beyond the concrete negotiations of the Doha Round. The WTO is facing a serious crisis of legitimacy due to its incapability to provide a levelled playing field for all to defend their interests and an opportunity for developing countries to make trade work for poverty reduction. Unless this trend changes, the WTO could be condemned to become irrelevant.

Main areas where reform is needed (no details are provided here, but references to the relevant sources):

**Changes in decision-making processes**\(^\text{16}\): There are different models by which economically and politically weaker developing country Members could use formal or informal constituency groups to ensure that the huge numbers of people they represent have a voice at the WTO. Among others, proposals on this area include: reform of the consensus system to fully respect the views of developing country members; increased transparency through the publication and distribution of documents and the participation of civil society; further guarantees in the decision making process of Ministerials; technical and financial support for developing countries’ missions; or neutrality of the Secretariat.

**The use of the Dispute Settlement Understanding**\(^\text{17}\): The capacity of the WTO to enforce its rules is distinctive from almost any other multilateral organization. However, this right is denied from an important number of WTO members, which lack the political, financial or technical capacities to take full advantage of it. Proposals for reform in this area include, among others: technical and financial support for developing countries; enforcing regional and multilateral advisory centres; establishing groups of countries that would negotiate together in specific cases; increased transparency of the legal decision-making process and about the implementation of agreements; facilitation for third parties to promote cases and be involved as *amicus curiae*\(^\text{18}\); developed countries should respect and implement results of the panel, even when the other part does not have the proper capacity to retaliate.

---

\(^{16}\) With some changes and additions, these proposals have been extracted from the memorandum on transparency and participation at the WTO presented by the Geneva-based NGOs. A detailed set of proposals can also be found in Jawara and Kwa (2004).

\(^{17}\) See ICTSD 2003 for a full review of the issue and a detailed agenda of proposals.

\(^{18}\) The friend of the court, or amicus curiae brief enables non-parties to a dispute to submit relevant factual and legal arguments to a court when matters of significant public interest are at stake. NGOs have used these pleadings, for example, within the United States and South African court systems, and at the regional and international level in human rights disputes.
Making trade agreements legitimate: There is currently relatively little parliamentary scrutiny of WTO matters, including the preparation of negotiating positions. Regular debates on the WTO in national parliaments would help to increase the accountability of international trade policy-making. In addition, civil society organisations working on trade-related subjects have a responsibility to increase public awareness of the relevance of international trade policy to their constituencies, thereby raising the level of national debate.

4.4 Beyond the WTO

Piecemeal liberalisation under the auspices of regional trade agreements and trade policy conditionality attached to multilateral lending are stripping away policy flexibility for developing countries. As the cornerstone of the multilateral trading system, the WTO — rather than regional trade agreements or the IFIs — should be the main institution setting principles and obligations regarding trade in relation to food security and rural livelihoods.

As with the Agreement on Agriculture, the principle that ‘nothing in this agreement shall prevent developing countries from promoting development goals, poverty reduction, food security, and livelihood concerns’ should be upheld in RTAs as well as in IFI policies.

A key challenge for the international community is to promote effective coordination between international institutions, and particularly to ensure an appropriate balance between WTO rules and other international conventions and treaties, for example on human rights and the environment. Given the strength of the WTO enforcement mechanisms, there is a clear tendency for non-trade priorities to be subjugated to WTO rules.

For much of the 1990s during the UN-sponsored Summits, OECD governments attempted to protect trade from wider scrutiny, and were largely successful in obstructing the inclusion of trade-related issues into the agenda of the 1992 UN Conference on Environment and Development and the 1995 Summit on Social Development, for example. It is important to consider how to strengthen UN agencies vis-à-vis the WTO, given that their mandates are equally important. Can a more even distribution of the benefits of international trade be achieved by promoting a more pluralistic form of global governance, with a stronger role for specialised UN agencies such as UNCTAD and the ILO?
4.5 A solution to the problem of differentiation among developing countries

This paper suggest to agree, in the first place, on the principles that should guide differentiation. We propose to include the following five:

**Poverty burden** (including food insecurity and rural poverty) and **not economic size** should guide SDT.

- In order to make constructive and politically feasible, differentiated SDT must avoid excessive costs to other developing countries and to the multilateral system (Page and Kleen, 2005).
- *All different groups should be expected to make specific commitments* according to their capacity in order to advance towards the general interest.
- In order to encourage adequate complementary policies at the national level, and *additional* to the average ones in each group of countries, enhanced SDT should be granted to countries which comply with certain objectives, such as good governance, environmental and labor protection or increased social spending.
- In order to avoiding political interference and guaranteeing legal safety in the process, *no discussion on a new country classification should take place before the end of the current Round of negotiations.*

In the light of these principles, we have analysed the different proposals that have been offered by institutions and academics as a solution to the problem of differentiation. Two in particular have called our attention:

**Proposal by Kasteng et al. for the Swedish Board of Agriculture**, which takes the criterion of *food security* as the starting point (Kasteng et al: 2003)

Using this criterion, this proposal identifies the most vulnerable countries, including those that could be most heavily affected in the case of future agricultural trade liberalization. On the basis of certain elements, countries are classified as *food insecure, food neutral or food secure*, establishing different categories of SDT for each of them. The proposal also establishes a broader category of poor countries based on their rural development needs, as well as a number of exceptions to countries that would not qualify for the proposed SDT: advanced developing countries and significant net agricultural exporting countries. (See further details in the proposals below)

The obvious advantage of this proposal is its fairness and development orientation. Its disadvantage, as expressed by the authors, is its difficult

---

19 An original proposal on differentiation based on food security criterion was conceived by Díaz-Bonilla et al (Díaz-Bonilla: 2000).
implementation, since the number of technicalities and indicators could be easily utilised by those countries which fear they could be excluded from current benefits.

Proposal by Andrew Charlton on asymmetric opt-out provisions (Charlton 2005): As regards to market access, this is a particularly interesting one, which follows the simple principle of rights and responsibilities. As expressed by its author: “[This proposal] would enable developing countries to not implement part or all of any tariff cutting commitments contained in the final agreements. However the key feature of these provisions is that they would apply asymmetrically: developing countries would only be able to opt-out of tariff reduction commitments on goods imported from richer or larger countries. Middle income countries, for example, could maintain pre-agreement tariffs on goods imported from rich countries, but would have to fully implement liberalisation agreements in favour of goods imported from small and low-income countries”.

This proposal has two obvious advantages: it is simple and it would facilitate trade integration and commitment from stronger countries with the weaker. It would also allow developing countries to maintain reasonable levels of protection against imports coming not only from developed economies, but also from big developing ones. Its main limitation, however, is that it is limited to one aspect of SDT (market access) and ignores that in the agricultural sector certain levels of protection are also need in any economy, even the richest ones.

Once the current process of negotiations is finished, members of the WTO will have to go further in differentiating its member states, in order to establish a fair and meaningful system of SDT in the agricultural sector. For this purpose, the following two elements are proposed:

Differentiation of developing countries according to food security and rural development criterion20: Countries can be classified according to four basic variables: Food production per capita, food import capacity, calories/proteins per capita per day and non-agricultural population (or degree of urbanisation), establishing three different categories: food insecure, food neutral or food secure. Different categories of SDT should be established for each of them.

In order to include the number of developing countries which are affected by a high prevalence of rural poverty, but which are not necessarily considered as food insecure, a broader category of poor countries must be established, based on their rural development needs. This concept includes elements such as agricultural and rural population, and agriculture as a share of GDP.

---

20 For all the details of this proposal, see Kasteng et al. (2005).
The exceptions to the countries that follow under the previous categories, which would not qualify for the proposed SDT, are: advanced developing countries (such as Taiwan, Barbados or South Korea) and significant net agricultural exporting countries (which are Brazil, Argentina, China and Thailand).

As a general basis, countries should be asked to accept the ‘asymmetric opt-out provision’. This provision grants more trade opportunities to economically less powerful countries, allowing them to opt out of import liberalization on the one side, and giving them preferential market access on the other. In other words, poorer countries would be entitled to establish protective barriers against goods from countries richer and larger than themselves, while more affluent countries would be required to grant tariff-free access to goods from countries poorer (in terms of GDP) and smaller (in terms of GDP per capita) than themselves. As a consequence, potential trade benefits would be distributed progressively as the poorest countries have preferential access to all other countries, thus realizing the largest gains, while they would be exempt from the duty to reciprocate. Moreover, the provision, binding developed and developing countries alike, runs counter the conventional tendency of distributing rights and obligations along the North-South axis. For example, a middle-income country like Algeria would enjoy tariff-free access to the European Union, but itself be required to give tariff-free access to Niger in turn. This way, the provision not only contributes to closing the North-South gap, but also to levelling out fast evolving asymmetries among developing countries.
References


Page (2003). *Can Special Trade Measures Help Development, when Trade Tools are Weak and the Conditions for Development are Uncertain?*, available at [http://www.ycsyg.yale.edu/ focus/gta/special_trade_measures.pdf](http://www.ycsyg.yale.edu/ focus/gta/special_trade_measures.pdf)


