



International Chamber of Commerce

The world business organization

Policy statement

Agricultural trade and the Doha Development Agenda

Prepared by the Commission on Trade and Investment Policy, 26 November 2002

Introduction

At the 4th Ministerial Conference of the World Trade Organization (Doha, Qatar, 9-14 November 2001) WTO member governments renewed their commitment to continue with the fundamental reform of trade in agriculture mandated by the Uruguay Round and begun in early 2000. This decision offers an excellent opportunity to further open markets and expand trade in food and agricultural products. Improved access to international markets and increased trade in agricultural products will ultimately benefit all countries and stakeholders. Therefore, the major goals of WTO negotiations on agriculture should be to create new market access opportunities and to ensure that the benefits of an open market system reach developing countries. The establishment of a market-oriented multilateral trading system by strengthening rules and commitments regarding agricultural support and protection will make a significant contribution to economic development and sustainable agriculture.

The case for trade liberalization and economic growth

Under current trade policies, trade in agricultural and processed products has increased steadily. Still, government intervention in the agricultural sector remains intrusive, to the detriment of developing countries. According to the Organisation for Economic Cooperation and Development (OECD), total support to agriculture in 2000 amounted to 327 billion US dollars or 1.3% of GDP in the OECD area, of which support to producers accounted for 34 % of total farm receipts. The vast majority of this support goes to a minority of large agricultural producers rather than to small family farms, in the form of a transfer from consumers and taxpayers. More competitive producers in other countries also are negatively affected. Export subsidies and other trade-distorting domestic support measures tend to destroy markets in developing countries by driving down world prices to levels where local farmers cannot compete and to encourage production that is economically and ecologically unsustainable. Trade distortions in the agricultural sector harm stakeholders in both developed and developing countries. While developing countries argue that liberalization of international trade has not yet benefited them to the same extent as developed countries, trade barriers and distortions in the agricultural sector adversely affect all countries by impeding innovation, investment and economic growth. Economic growth in the agricultural sector supported by appropriate domestic policies provides opportunities for the poor in developing countries by offering increased access to food, land, income, employment, financial services, technology, and capital for community services and education.

We therefore encourage governments to phase out agricultural price-support mechanisms, export subsidies and all other trade-distorting agricultural support measures, as well as cascading tariffs. Governments should supplement such reductions with policies that promote private sector initiatives, particularly to improve the competitiveness of farms, downstream businesses (small firms) and the rural economy more generally, as well as product quality. There is evidence that even under open market conditions, 70-80% of food supply will be produced locally; an efficient national food system is, therefore, essential. However, local communities, businesses and markets will need time to adjust, in order to take full advantage of the benefits derived from a smoothly operating open market.

Farmers are no longer the only ones with commercial stakes in these negotiations. Processed foods account for an increasing amount of trade in agri-food products globally, and these products should receive top priority during the agricultural negotiations. The growth of global trade in the processed food sector is slowed by a number of factors, including tariff peaks (high protective tariff rates); tariff

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escalation (higher tariffs on processed foods than their commodity components); tariff rate quotas (TRQs -- with prohibitive over-quota rates and inefficient administration), export subsidies and trade-distorting domestic support measures. Industrialized countries should take the lead in removing these trade barriers. Specifically, we recommend the following:

Market access

- Tariff reductions should begin from applied rather than bound rates in order to ensure meaningful reductions. Tariff reductions, particularly of industrialized country tariffs, should apply to individual tariff lines rather than to average tariff levels for groups of products.
- Tariff peaks and tariff escalation should be eliminated. This is particularly important to improve market access for processed foods from developing countries and would encourage these countries to diversify into higher value-added production for exports.
- Additional reductions in tariffs through various approaches including a zero-for-zero approach for particular products, including but not limited to: beef, biscuits, cheese, cocoa and cocoa containing products, coffee and coffee containing products, dry cereals, fried potato products, pet food, pork, powdered soft drink mixes, oilseeds, soft drinks, soups, wines and spirits and luxury foods.
- Simplification of administrative procedures, including the elimination or further liberalization of tariff-rate quotas, through elimination or expansion of quota levels, lowering of in-quota tariff rates, and significant reduction of over-quota rates to levels that permit commercially meaningful access. In addition, tariff rate quotas should be allocated on a transparent and non-discriminatory basis.

Subsidies

- Progressive elimination and ultimate prohibition of all forms of subsidies that distort international trade, among them export subsidies on primary products, making agricultural export subsidy rules conform to the prohibition on export subsidies for non-primary products (in effect since 1948).
- This process should give priority to reducing high export subsidy levels at a faster rate than lower export subsidy levels.

Domestic support

- Further substantial reductions in domestic support measures.
- Establishment of further commodity-by-commodity reduction commitments for domestic support.
- No increase in permitted levels of domestic subsidies (whether in the amber box or the green box) for so-called "multifunctional" purposes. But be willing to consider special transitional measures for developing countries and transition economies with still very high percentages of rural population.

Health and safety regulations

Sound science and risk assessment are the proper foundations of a credible health and safety regulatory regime. The WTO Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures ensures that these values are the underpinning of global food trade. Expanding agricultural negotiations to include non-trade concerns could result in a reopening of the SPS Agreement, which could ultimately increase barriers to trade, as this could be particularly problematic to exports from developing countries. Developing countries should be encouraged to be more actively involved in the

setting of global food standards, and to build their capacity to improve the quality and safety of their agricultural production through technical assistance.

Scope of the negotiations

- No products or policies should be exempted from the new rules and disciplines.
- Effective access to developed country markets should be extended to exports from developing countries, especially to products in which they have a competitive advantage.
- At the same time, negotiations should enable developing countries to effectively take into account their development needs.
- Negotiations should ensure that non-trade concerns are not used to create new barriers to trade in agriculture, as this is particularly injurious to the export capabilities of developing countries.

Biotechnology

- While the WTO should address issues related to trade in biotechnology products, it is not the most appropriate forum for all issues, and should give due account of measures undertaken in other bona fide international fora (such as the Codex Alimentarius for food safety standards).

Food security

- International concerns about food security should be addressed through multilateral disciplines banning the use of export sanctions, not through tariff barriers or trade-distorting subsidies.

Policy recommendations

In many countries, the first priority for the farm sector is to become economically sustainable. Economic viability usually depends to some degree on trade in agricultural products, both within and between countries. Such trade can help achieve the goals of sustainable agriculture: improving living conditions in rural areas, particularly in developing countries; ensuring increased food quality and quantity; providing employment opportunities; contributing to the protection of natural resources and the environment. Thus, economic policies that promote agricultural trade are in the interests of all stakeholders. Towards this end, ICC recommends that WTO members:

- allow the alignment of food prices at world market levels;
- work towards harmonization of food regulatory, customs, safety and other control systems;
- progressively dismantle government price support systems and other price-distorting measures - within a reasonable timeframe to allow farmers, agri-food businesses and the market itself time to adjust;
- promote policies and activities that allow private enterprise to: improve the quality of products; help small farmers acquire knowledge and land (better legal framework for land titles); purchase seed, fertilizer and equipment; gain access to markets; and remain competitive as markets become more open;
- promote trade and investment in the agri-business sector through non-price distorting policies, which will in turn increase technological innovation;
- promote best farming and environmental practices; develop and adopt cost effective, scientifically sound and environmentally sustainable food products and production techniques;
- create channels through which innovations in good farming and environmental practices and sustainable food production can reach all economies, i.e., make this again a priority for multilateral development assistance; and

- develop an infrastructure that ensures the safe and efficient production, processing, and transportation of food within and between countries.

Conclusion

An open and non-discriminatory trade policy is necessary to ensure the viability of the agricultural sector based on environmentally sound practices. A liberal trade policy also provides agri-business with the financial resources to undertake voluntary initiatives and form partnerships that promote sustainable agriculture. Open markets and sustainable agriculture are the foundations of an efficient global food system.

The agri-food business sector, farmers, non-governmental organizations and governments share many common interests. Increased dialogue and cooperation between relevant stakeholder groups is required to identify and promote opportunities for joint initiatives and partnerships in support of sustainable agriculture. ICC urges WTO members to tackle the pervasive obstacles to trade and investment in the agri-food sector.

About ICC

ICC is the world business organization, the only representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world. ICC promotes an open international trade and investment system and the market economy. Business leaders and experts drawn from the ICC membership establish the business stance on broad issues of trade and investment policy as well as on vital technical and sectoral subjects. ICC was founded in 1919 and today it groups thousands of member companies and associations from over 130 countries.

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