

Global Forum on Agriculture:  
Policy Developments in Non-Member Economies  
20-21 November 2006

The Doha Development Agenda Negotiations

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The agriculture negotiations in the WTO have not been notable for rapid progress or even following a rational or practical path. Every step has been dogged by difficulties, suspicion, diplomatic fudges on critical issues and a very slowly developing consensus on those points where agreement has been reached. A quick look at the history of this round illustrates the nature of the work:

- The first attempt to launch a round in the Seattle Ministerial Conference in 1999 that failed;
- The start of negotiations on agriculture and services in 2000 as mandated by the two agreements (Article 20 of the Agreement on Agriculture and Article XIX of the General Agreement on Trade in Services);
- The start of a comprehensive round of negotiations as a single undertaking at the Doha Ministerial Conference in 2001 (WT/MIN(01)/DEC);
- The missed deadlines for modalities, first in March 2003 and then at the Cancùn Ministerial Conference in September 2003 – which also failed to achieve its revised limited objective of agreeing a framework for modalities;
- Agreement on this framework in August 2004 (Annex A of WT/L/579);
- The modest advance in the Hong Kong Ministerial Conference in December 2005 (WT/MIN(05)/DEC); and
- Suspension of negotiations in July 2006.

There is no point in blaming any Member government for the current suspension. It has arisen because some delegations feel too much is being asked of them in return for too little. However, all Members and governments and delegations are to blame for portraying the talks in mercantilist terms. The talk is that exports are good but imports bad. The justification for the negotiations is not to liberalise trade but to control mercantalism in others countries. The only reasons for reducing support and protection for agriculture that are considered valid are those that show it as a

means to win "concessions" from other Members or score political points. A lot of delegations seem to require analyses that show a quantifiable net gain for them, for example, if we give up so much in subsidies we gain so much in market access. Such an approach is not likely to be very productive and will probably only result in a plethora of analytical studies each showing a different result. Worse still, the so called "concessions" – reduced tariffs or reduced subsidies – are usually beneficial to a country as a whole even when undertaken unilaterally without any reciprocal "concession".

Although this has been the rhetoric of the negotiations, the underlying reality is very different and more encouraging. Based on the notifications made in the WTO by Members and supporting evidence from other sources it is clear that most Members are applying levels of support and protection that are considerably lower than the maximum permitted levels set out in their Uruguay Round Schedules. These maximum levels of subsidies and tariffs are based on the actual policies in place in the nineteen eighties and the gap between them and the current actual levels is an indication of the extent of the reforms undertaken since then.

	European Communities	Japan	United States	Canada
	million Euro	billion Yen	million US dollar	million CAD
<b>Final Bound Total AMS</b>	67 159	8 973	19 103	4 301
<b>Current Total AMS</b>	31 796	611	12 071	1 525

Source: Canada; Job(06)/151 and /186

While wealthier countries usually apply tariffs at close to applied rates poorer countries, with less government funding going to agriculture, tend to support their agriculture sectors through high tariffs. Or, more accurately, they have the right to do so. The reality is that applied tariffs are well below bound rates in these countries.

		Australia	Brazil	Canada	EC	India	Japan	USA
<u>Average Tariff (for all lines)</u>		%	%	%	%	%	%	%
<b>Initial</b>	<i>Bound</i>	4.01	35.66	21.85	22.80	113.82	41.83	11.28
	<i>Applied (2005)</i>	1.43	10.13	21.35	22.79	37.89	29.50	11.27

Source: Australia; Job(06)/152

Given the difference between domestic policies and negotiating positions it does appear that there is a certain lack of coherence between the two. In addition, it is worth noting that the policy

changes that led to low levels of trade-distorting support and tariffs relative to the legal maximums were implemented and were applied during a period of low commodity prices – when reform should have been more difficult – and were maintained despite continuing low prices. At the moment, commodity prices are higher than they have been for some time, stocks are lower, and demand, particularly for protein products is rising. That should make further reform less difficult. However, this has not been reflected in the agriculture negotiations.

	Food and beverage index	Food index	Beverage index	Agriculture raw materials index
1987	100.00	100.00	100.00	100.00
1988	110.02	111.42	100.30	110.36
1989	103.03	105.76	84.00	112.31
1990	102.44	106.37	75.14	114.57
1991	102.44	106.37	75.14	114.57
1992	95.14	99.93	61.83	106.73
1993	95.19	99.59	64.67	123.05
1994	102.82	102.31	106.32	135.83
1995	108.01	108.17	106.89	140.35
1996	114.06	117.36	91.10	135.19
1997	108.77	107.24	119.40	128.77
1998	96.43	95.39	103.67	107.31
1999	83.13	83.34	81.63	108.62
2000	83.37	85.39	69.32	113.43
2001	82.09	85.54	58.13	107.83
2002	85.86	88.46	67.75	109.73
2003	90.26	93.02	71.05	113.83
2004	102.13	106.29	73.21	120.07
2005	103.77	105.96	88.60	122.01
2006	112.68	115.50	93.08	133.08
2006	114.83	118.14	91.82	128.97

Source: Based on the IMF monthly commodity price data  
<http://www.imf.org/external/np/res/commod/externaldata.csv>

## Process

The tortuous process of the negotiations is not the result of the intransigence of some Members of the WTO. It is also partly the result of the complexity of working in negotiations which have an unprecedented number of active participants. Indeed, since preparations for the negotiations began following the Singapore Ministerial Conference in 1996, developing countries have been active both in terms of participation and in submitting proposals. That preparatory process – the process of Analysis and Information Exchange (AIE) which lasted until the negotiations actually started in 2000 – saw 74 papers submitted from 36 Members, of which 13 were from 24 developing countries. Despite the failure to launch a comprehensive round at the Seattle Ministerial Conference, the negotiations actually started, as required by Article 20 of the Agreement on Agriculture in 2000 and the participation of developing countries continued at the same level of intensity as seen in the AIE

process. For example, in the first year of negotiations 126 Members, the majority of them developing countries, submitted 45 papers.

However, it was clear that the negotiations under Article 20 would not make much progress unless the mandate was broadened to include other issues, particularly non-agriculture market access. The Doha Ministerial Declaration succeeded in launching these comprehensive negotiations as a single undertaking and in giving to the agriculture talks a new mandate: substantial improvements in market access; reductions, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. It also emphasised special and differential treatment which was to be integral to all aspects of the negotiations and to be reflected in Members' Schedules and in the rules and disciplines (paragraph 13 WT/MIN(01)/DEC).

With the new mandate negotiations resumed in 2002 with the objective of establishing modalities by March 2003. As it turned out, this became the first of a number of missed deadlines. Despite constant cajoling from the Chairman, Stuart Harbinson (the former head of delegation for Hong Kong China), little progress was made and his draft modalities of March 2003 (TN/AG/W/1/Rev.1) did not succeed in becoming a basis from which Members were ready to work. Although work continued with the objective of establishing modalities by the Cancùn Ministerial Conference in September 2003, the probability of achieving this objective receded as the date for the Conference approached. As a result, when the European Communities and the United States tried to negotiate modalities bilaterally they opted instead for an intermediate goal of creating a framework on which modalities would be based. Their proposed draft modalities appeared on 13 August 2003. It provoked a reaction. Within seven days the G-20 had been formed, developed a counter-proposal and submitted it on 20 August. Other groups followed and this period saw the negotiating landscape change as G-10, G-33 and G-20 were formed. Other groups like the African Group, the African Caribbean Pacific Group, the Group of Least-Developed Countries and the Cairns Group also remained active. An additional factor was also brought into the negotiations as four least-developed African countries (Benin, Burkina Faso, Chad and Mali) formed the Cotton-4 with their proposal to specifically address support for cotton.

At the Cancùn Ministerial Conference the negotiations on agriculture were mainly between the G-20 and the United States and the EC while the Cotton-4 group and the United States met and negotiated on cotton. Progress was made but the Conference did not succeed in agreeing to a Framework and the Conference was stopped when it became clear to the Chairman, Minister Derbez of Mexico, that it would not be possible to reach agreement. Back in Geneva the positions remained deadlocked for the rest of the year and it was only in early 2004 that they got moving again. Under

the new Chairman, Ambassador Tim Groser of New Zealand, a different approach was taken to conducting negotiations. His idea was to stop having consultations under his chairmanship and to leave it to delegations to arrange their own meetings. The result was that, for the first time perhaps, delegations realised that others were not posturing or taking tactical positions. Instead the fact finally sank in that there are countries that can produce high quality agriculture products at low prices and they would really like to export to those countries that cannot match either their quality or price. The converse is also true, there are some people that depend on support and protection and increased imports or reduced support will mean lower incomes and reduced production.

Perhaps for the first time in the negotiations the different sides realised that (i) it was not the fault of the Chairman that their position was not accepted and reflected in draft papers and (ii) those on the other side had real problems they wanted addressed. This had the effect of leading to a more practical attitude to the negotiations and to a more open attitude to finding solutions. The open-letter to all WTO Ministers from Commissioners Lamy and Fischler of the EC which finally admitted, indirectly, that export subsidies were going to be eliminated also helped. Progress continued to be made and finally on 1 August 2004 the General Council agreed to a Framework for establishing modalities (WT/L/579).

In many ways the Framework represented a detailed mandate for negotiations. It clearly set out the basic objectives and how they were to be achieved, at least for export competition and domestic support. On market access it was less clear and, beyond setting out the principles of a tiered formula and listing the various exceptions to this formula it effectively reserved positions as much as it represented real progress. Indeed, when negotiations resumed in autumn 2004 it became clear just how far apart Members remained on market access and just how sensitive is anything relating to this issue. Even something like a standard methodology for estimating *ad valorem* equivalents (needed to put tariffs into a tiered formula) needed intense and protracted negotiations. It took 8 months to establish a methodology even though it has only an indirect impact on actual tariff reductions.

In addition to slow progress on major outstanding issues the political need to present balanced agendas also meant a lot of time was spent haggling over export competition, for long the most advanced of the three pillars, which meant less time for other issues. By the time the new deadline for a "first approximation" of modalities came in July 2005 it was clear that it would not be possible to agree to modalities and yet another deadline was missed (see the Chairman's report to the TNC in TN/AG/19). Talks continued in autumn 2005 under another Chairman (Ambassador Crawford Falconer of New Zealand) but progress remained extremely slow.

The Hong Kong Ministerial Conference was meant to be the deadline for establishing modalities but the ambition for this event was scaled back considerably as the date of the Conference approached. Indeed, the draft text taken to Hong Kong represented a very meagre advance on the Framework. Ministers in Hong Kong did succeed in moving things forward with an end-date for all forms of export subsidies, the placing of Members in 3 tiers for reductions in domestic support and a clear political commitment to reduce support for cotton by more than the formula over a shorter period of time. However, these steps were still a long way from modalities. The meetings in Geneva continued in 2006 with an increasing frequency and the Chairman now feeding his Reference Papers into the process. In the end though, his possible draft modalities document (TN/AG/W/3) showed just how far apart Members were with some 700 alternative proposals on different issues.

## **Substance**

In terms of substance it is not correct to say that no progress was made since the Hong Kong Ministerial Conference. In many areas a considerable amount of progress has been made. But it is true to say that this progress was not comprehensive, it was conditional and it was tentative. That is, in many areas advances were made but not in all areas, that these advances depended on satisfactory outcomes in other areas and they could be withdrawn in the event that such an outcome did not happen. Once again, export competition advanced further with clearer and better understanding developing of the mechanisms and rules that could govern export credits, food aid and state trading enterprises. On domestic support the differences between positions gradually narrowed and tentative signals were given that there was some flexibility to improve proposals. On market access, some progress was also made on some aspects. However, in a single undertaking conditional and partial progress are not enough and for modalities a complete package is needed.

### *Export Competition*

Since the Doha Ministerial Conference it has been clear that export subsidies were to be eliminated but it took the Hong Kong Ministerial Conference to agree to a final date for this elimination – end-2013. That commitment was always part of a package of measures that will have to end all forms of government support for exports. Fortunately, these other forms of support are reasonably clearly defined and the objectives reasonably clear and unambiguous.

As far back as the Agreed Framework of 1 August 2003, it was agreed that export credits of more than 180 days have to be eliminated. This step alone would reduce the scope for subsidies but the Hong Kong Ministerial Declaration adds that export credit programmes will have to be self-financing and reflect market consistency. From the proposals it might appear that there are huge

differences in what should be the self-financing period with 2 years proposed by one Member and 15 years proposed by another. But looking more closely one finds that the proposal for 2 years actually means that after two years measures must be taken to address losses and the proposal for 15 years actually includes a provision to address losses after 3 years. Of course, this over-simplifies the positions but it does indicate that progress was being made and differences may not be as great as they would first appear.

On food aid a proposal from the African and LDC Groups (TN/AG/GEN/13) effectively set the basis for serious negotiations, not least because this proposal was from such a large number of food aid recipients. The proposal built on the Hong Kong Ministerial Declaration that set out the basis for a "safe box" for bona fide food aid and the elimination of commercial displacement.

On state trading enterprises the objective remains the elimination of trade-distorting practices. There are differences about what that means and if it covers monopoly powers but what is clear is that specific rules will be developed that will increase the disciplines on STEs.

Although the work on export competition was by no means complete it was well advanced and the main commitments needed to remove subsidies have been made. It is also worth noting that the basic objective of eliminating export subsidies is supported by the secondary objectives in the areas of export credits, food aid and exporting STEs. Taken together, and bearing in mind the general provisions on anti-circumvention in Article 10 of the Agreement on Agriculture, these represent comprehensive approach to addressing export supports.

**Table: Export Competition**

	<b>Uruguay Round</b>	<b>Doha Round</b>
Reductions	Developed countries 36% in budgetary outlay 21% in quantity  Developing countries 24% in budgetary outlay 14% in quantity	Elimination (except for certain marketing and transport subsidies for developing countries (Article 9.4)) by end 2013.
Export credits	Agreement to negotiate rules (never achieved).	Export credits over 180 days to be eliminated. Rules to be developed to ensure market consistency and self-financing.
Food Aid	Agreement to comply with the FAO's "Principles of Surplus Disposal and Consultative Obligations" and to provide food aid untied to commercial transactions of agricultural products.	Rules to be developed to ensure there is no commercial displacement caused by food aid and to provide a safe box for bona fide food aid.
State trading enterprises	Not specifically covered.	Specific rules to be negotiated to eliminate trade-distorting practices of STEs.

## Domestic Support

The domestic support pillar of the negotiations is more complex than export competition but the Framework and the negotiations have been consistently about the formulas for reducing support and new rules to close loopholes or deal with anomalies in the current legal structure.

Of course, different types of support have different effects on trade and production and nobody is suggesting that any Member should reduce support for education, training, inspection services, disease control or many other kinds of government programmes. The programmes are in the Green Box, but this category is, however, wider as it also covers income and disaster insurance schemes and direct payments to farmers that are decoupled from production or prices. However, the fundamental criteria that must apply to all Green Box subsidies is that they must have no more than a minimal effect on trade or production. If they have more than a minimal effect they are not Green Box. The negotiations are about reducing trade-distorting subsidies so the negotiations on Green Box have addressed how to ensure that this Box only covers programmes that cause no more than minimal trade-distortion and to cover programmes more suited to the needs of developing countries as well.

The real focus of work though has been on other categories of support. The Uruguay Round left only a subset of trade-distorting support controlled by disciplines and the controls are not particularly strict. Exemptions were made for low, or *de minimis*, levels of support and for support under production limiting programmes (the Blue Box). Even the limits applied to the Aggregate Measurement of Support (AMS) were for the total of all support above the *de minimis* limit and did not apply to any single product and the reduction was only 20 per cent (13.3 per cent for developing countries).

In the DDA the approach taken in the Agreed Framework has been more thorough:

- It is correct that the Blue Box will be expanded to include programmes decoupled from production – but still linked to prices – such as the Counter Cyclical Payments in the United States. However, a limit on such programmes will now apply which was set out in the Agreed Framework as 5 per cent of the value of production but the negotiations indicate that this limit will be much less, 2.5 per cent under the United States' proposal and lower in others' proposals;
- The *de minimis* limit will also be reduced, also to 2.5 per cent of the value of production or lower;
- The reductions that will be applied to AMS will be much greater than those of the Uruguay Round with the EC (as the Member with the biggest AMS) reducing by more than Japan and

the United States (as the second and third biggest) who in turn will have to reduce more than other Members;

- Product-specific caps on AMS will also apply; and
- The total of all permitted support (AMS plus product-specific *de minimis* plus non product specific *de minimis* plus Blue Box) will also have to be reduced again with the EC taking the greatest reductions, Japan and the United States next and all other Members in the third band.

Not all Members have commitments to reduce support in the Amber Box – because they never provided much support anyway and were bound at the *de minimis* limit in their Schedules. These Members will not be subject to reductions in *de minimis* or to reductions in overall trade-distorting domestic support.

It would seem clear, therefore, that there has been a considerable degree of progress made in the DDA on domestic support. While a lot of commentators have claimed that the results of various proposals would not make much impact on current levels of support these overlook the impact on various components of domestic support, they refer to base periods for comparison that are not representative or they ignore reform that has taken place within a Member. However, it is also correct that some Members will have a lot of flexibility, particularly on *de minimis* and overall trade-distorting domestic support, and other Members are suspicious that such flexibility may be used in the future. This has been seen to happen in the past few years as some Members reversed reforms and used the flexibility that currently exists to increase support.

**Table: Domestic Support**

	<b>Uruguay Round</b>	<b>Doha Round</b>
Green Box	Government service programmes and direct payments to producers with, at most, minimal trade distorting effects or effects on production exempt from reductions.	Amendments to specifically cover programmes in developing countries that cause no more than minimal trade-distortion.  Some tightening of rules to prevent regular changes to base periods for direct payments to farmers.
Blue Box	Direct payments to farmers under production limiting programmes based on area planted or livestock numbers exempt from reductions.	Limit of 5% of the value of production put on the Blue Box which is extended to cover direct payments to producers that are not linked to production as well as production limiting programmes. Current proposals would achieve a cut in this limit by 50% to 2.5% of the value of production. They would also establish disciplines to avoid concentration of support in specific products.

Article 6.2	For developing countries the following are exempt from reduction: <ul style="list-style-type: none"> <li>- certain input subsidies for resource-poor and low-income farmers;</li> <li>- certain investment subsidies; and</li> <li>- subsidies for diversification from certain illicit narcotic crops.</li> </ul>	Article 6.2 to continue.
Amber Box – <i>de minimis</i>	Product-specific support not covered by the exemptions above that does not exceed 5% of the value of production of the product concerned exempt from reduction.  Non product-specific support not covered by the above exemptions that does not exceed 5% of the total value of production exempt from reduction. (10% <i>de minimis</i> limit for developing countries.)	Proposals for reductions in <i>de minimis</i> by 50 or 80% (that is to 2.5% or 1% of the value of production) for developed countries. Developing countries with AMS commitments would reduce by less.  Developing countries with no AMS commitments or that allocate almost all <i>de minimis</i> support for subsistence or resource-poor farmers would not reduce <i>de minimis</i> .
Amber Box – AMS	20% reduction in the value of support compared to the 1986-88 base period.	Tiered reduction with three bands: the EC in the top band with the greatest reduction; the US and Japan next; and all other Members in the third tier. Proposals for reductions vary considerably from 83% reduction in the top band to 37% reduction in the lowest band – but all are greater than the 20% achieved in the UR.
Amber Box – Product-specific caps in AMS	No limits	Product-specific AMS support to be capped at the level provided during a base period. Proposals for the base period are 1995 to 2000 or 1999 to 2001.
Overall reduction in trade-distorting domestic support	No reduction	A limit of the sum of AMS and permitted <i>de minimis</i> plus the 5% limit of value of production for the Blue Box to be reduced by 20% in the first year. Reductions by a tiered formula with the EC in the top tier, the US and Japan in the second and all other Members with AMS commitments in the third. Proposals for reductions vary from 80% in the top tier to 31% in the bottom tier.

## Market Access

Arguably, market access is the area where the greatest differences remain between Members. Although the principle of substantial improvement in market access for all products was set out in the Agreed Framework there is a lot of disagreement on how this should be interpreted. It has been agreed: that there will be a tiered formula for reductions from bound tariffs with tariffs in the higher tiers reduced by a greater amount; that there will be four tiers; that tariff escalation and tariff simplification will be addressed; and that there will be the fullest liberalization of trade in tropical products in developed countries.

However, unlike domestic support and export competition, there are also a lot of provisions that will reduce the extent of improvement in market access: all Members will be able to declare some products to be "sensitive" with lower tariff reductions applied, although, in these cases market access will also be improved through expansion of tariff quotas; preference erosion will also have to

be addressed although the debate on this issue is still on the mechanism that should be used – if it will be a trade-based solution, such as lower tariff reductions, or a non trade-based solution, such as technical and financial assistance; developing countries will be able to declare a number of products as "Special Products" which will receive more flexible treatment; and developing countries will have access to a "Special Safeguard Mechanism" for agricultural products. In both these cases, however, neither coverage nor treatment have been decided.

Proposals for these flexibilities differ considerably. Sensitive Products could cover anywhere between 1 and 15 per cent of tariff lines and the increase in tariff quotas could be modest and based on current imports or ambitious and based on domestic consumption. For Special Products the proposals for coverage range from a handful of tariff lines to a minimum of 20 per cent of tariff lines. For the SSM, proposals range from limited coverage with quantity triggers of a 30 per cent increase in imports and significant price falls to comprehensive coverage and a 5 per cent quantity trigger with the remedy starting at 40 percentage points/50 per cent of bound duty being added to the bound tariff.

Looking at some of the proposals currently on the table and interpreting them exactly as they are set out, it would appear that for many Members the results of the DDA would mean a potential worsening in market access. This is not to say that the proposals are invalid or to question the basis for the proposals or to suggest that these positions are in anyway faulty. It is simply to note that (i) if the Special Safeguard Mechanism were to apply to all agricultural products and (ii) if Special Products were to cover a minimum of 20 per cent of tariff lines and were subject to nominal reductions in bound tariffs then, with a quantity trigger of an increase in trade of 5 cent compared to the previous three years and a remedy of the higher of 40 percentage points or 50 per cent of the bound tariff then the maximum permissible tariff on many products would actually increase as a result of the DDA.

**Table: Market Access**

	<b>Uruguay Round</b>	<b>Doha Round</b>
Base for reduction	Bound tariffs, applied tariffs, or tariffication of non tariff measures.	Reductions from final bound tariffs.
Reductions	Simple average reduction of 36% and minimum reduction of 15% (24% and 10% for developing countries).	Tiered formula for tariff reductions with 4 bands. Wide variation in proposals for both thresholds and reductions.  Possible tariff cap.  Possible minimum average reduction.

	<b>Uruguay Round</b>	<b>Doha Round</b>
Flexibility	Inherent in reduction formula.  A significant proportion of developing countries opted for ceiling bindings which were exempt from reduction.	- Sensitive products subject to lower tariff cut but tariff quota increases.  - Special Products for developing countries subject to more flexible treatment – proposals vary widely from at least 20% of tariff lines to a handful of tariff lines.
Tariff quotas	Current access to be maintained, minimum access for products with minimal levels of imports to be created to equal 5% of domestic consumption.	Market access for sensitive products to be achieved by a combination of tariff cuts and tariff quota increases. No agreement on the size of the tariff quota increase.
Safeguards	SSG available for products that underwent tariffication.	SSG to be negotiated – proposals vary from maintaining, reducing coverage to elimination.  SSM for developing countries – proposal for low price and volume triggers with draconian remedies.
Recently Acceded Members		Additional flexibility
Least-developed countries	Exempt	Exempt

## **Other Issues**

In addition to the usual pillars of market access, domestic support and market access the negotiations are also addressing a number of other issues, the highest profile going to the sectoral initiative on cotton. This was first taken in 2003 in the run-up to the Cancùn Ministerial Conference by the Cotton-4 group (Benin, Burkina Faso, Chad and Mali) and their focus has been to reduce trade-distorting domestic support and export subsidies for cotton. Although this is part of the single undertaking that is the DDA and cotton not being referred to in the Doha Ministerial Declaration, the C-4 have succeeded in engaging with the main subsidiser and exporter of cotton, the United States, and in getting political agreement that the results of the DDA will mean greater reductions in cotton subsidies over a shorter period of time compared to subsidies in general, the elimination of export subsidies and tariff and quota-free access for imports of cotton from least-developed countries (paragraph 4, Annex A of WT/L/579 and paragraph 11 WT/MIN(05)/DEC).

Other issues that are on the agenda but with no indication as to an outcome include: geographical indications, differential export taxes and sectoral initiatives.

## **Conclusion**

Most governments probably accept that the status quo on agriculture trade rules is not a particularly nice place to be and that, at least as a general principle, less distortion of trade and better opportunities to trade are worthy objectives. With these objectives, the negotiations under the Doha Development Agenda were launched. However, the political reality is that consolidating these

objectives in a new multilateral treaty covering imports and exports of all goods and services was never going to be easy, particularly in agriculture and especially in market access where all Members have product specific commitments.

In the DDA, agriculture is certainly one of the main issues where positions are far apart but within agriculture the most critical issue will vary from one Member to another. One Member might be sensitive to reductions in domestic support, another may have problems improving market access, for another the erosion of preferences is the key issue, etc. However, it is equally clear that, although progress has been made on export competition and the basic structure of domestic support, market access is still quite undeveloped. While Members may have different interests in agriculture at the moment the critical factors to moving forward seem to be clear. Some Members will have to show they are prepared to do more to reduce and control domestic support. While their proposals may show real reductions in some types of domestic support they would also retain a lot of flexibility to maintain or increase other types of trade-distorting domestic support. This flexibility is a serious concern for others because there is a real risk it might be used. This concern for flexibility also applies to market access but in this case it is harder to analyse because the coverage of products eligible for different treatment is less clear and the different treatment itself is harder to assess. Vague indications of flexibility are not particularly reassuring when they are not supported by new proposals.

The alternative of a permanent halt to the negotiations will not, as the Director-General has pointed out, mean a collapse of agriculture markets or a reduction in trade. However, in the medium to long-term it will mean more dispute settlement in the WTO and more regional trade agreements. However, both are selective, in terms of countries, products and programmes. Dispute settlement cases will only address a limited number of programmes in individual Members. Negotiations on regional trade agreements will probably quickly encounter the same problems as multilateral negotiations and will exclude many countries. However, for agriculture, the greatest long-term danger may come from the freedom many countries have to increase support and protection to agriculture. Without the pressure of multilateral negotiations, domestic interests in sensitive sectors will seek to increase support and protection. Should commodity prices resume their long-term downward trend and without any new agreement to reduce subsidies or tariffs, Members will have the opportunity to increase tariffs to bound levels and subsidies to the maximum permitted amounts.