PART III: Some thoughts and proposals for a way forward

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There is growing consensus that globalization, expansion of international trade, and rapid technological changes have favored developing countries more than developed ones. One clear example of this trend is the rapid Gross Domestic Product (GDP) growth rates experienced by developing countries compared to the growth rates experienced by more developed countries like Europe, the US, or Japan This unexpected result has turned many projections of world development on their head and shifted the political thinking in many countries. One of the main consequences has been the growth of populist forces in a number of developed countries, as well as an increase in protectionist sentiments and policies around the world.

These protectionist sentiments, together with the uncertainties brought about by structural unemployment, global migration, and increasing conflict, both regional and global, have given the impression that the eleventh Ministerial Conference (XIMC) will take place in a difficult environment, making it almost impossible to advance the trade agenda and hampering the efforts of developing countries to achieve long-sought-after and long-negotiated goals.

While we concur with the overall diagnostic described above, we would also like to raise other considerations that paint a more optimistic picture. As mentioned previously, developing countries for the most part have gained from globalization and trade liberalization; they have also gained greater economic status in terms of their share of global GDP and global trade. As a consequence, these countries now have strengthened negotiating powers in international organizations in general and in multilateral negotiations in particular. It is in this context that developing countries must define their new role at the upcoming XI WTO Ministerial Conference. It seems that this MC provides the opportunity for developing countries to be especially active in presenting their views and interests in the traditional themes that are pending on the WTO agenda and, at the same time, to bring to the table new themes that need to be considered in future negotiations.

The first and main concern for developing countries should be to protect what they have gained up to now. In particular, they should push for the continued strengthening of the WTO's mandate to create global trade rules and disciplines and its role as an arbitration mechanism for trade disputes. Multilateralism is an institutional mechanism that helps small- and medium-sized countries to present and defend their special trade interests and circumstances. It is thus in their best interest for this mechanism to be strengthened. This matter gains even more importance given the Declaration agreed upon at the 2017 G20 meeting in Hamburg. A comparison of the text dealing specifically with trade issues in the last two G20 meetings (China in 2016 and Hamburg in 2017) shows some signif-

icant differences. Although both Declarations uphold the importance of trade in world development, the text agreed upon in Hamburg is considerably weaker in its defense of freer and fairer trade and upholding of multilateralism. This suggests a new global environment that could affect the general attitude that some countries may bring to the next WTO meeting.

Developing countries, and in particular net food-exporting countries for whom agricultural trade is especially important, need to evaluate this new global political economy in relation to trade issues. There will be shifting interests and possibilities for new alliances that may lead to new types of agreements. For example, the growing importance of trade in meeting the SDGs' food security objectives could bring together large net importers and large net exporters.

Regarding the potential to reach agreements on themes that are presently being actively negotiated in the WTO under the three pillars - domestic support, market access, and export competition - there have been four informal WTO agricultural negotiating sessions since June 2017. In the last session, held on July 19, several proposals were presented and discussed. The main ones refer to domestic support, public stockholding for food security reasons, cotton, special safeguard mechanisms (SSM), and export restrictions. Market access issues were also considered, but to date no major advances have been made on this topic.

As presented in the first three chapters of Part I of this book, trade-distorting domestic support has declined substantially in the major agriculture-subsidizing developed countries over the last 20 years, while domestic support levels have been increasing in importance in developing countries. The first concern here is that despite those reductions in AMS levels, domestic support levels remain high in developed countries and are increasing in size for developing countries. A second concern about domestic support is that the current caps apply only to the aggregate level of support across all commodities. Developed countries have tended to provide most of their trade-distorting support in the form of product-specific subsidies, in most cases concentrated on products that harm net exporting countries, while developing countries have tended to provide non-product-specific support.

Bellman and Hepburn analyze some recent ideas presented by WTO members regarding domestic support. The first proposal involved cutting support using the categories under the AoA, while the second focused on a cap on all trade-distorting support as a base for future gradual cuts over time. The third proposal involves the implementation of rules on product-specific support, while the final one discusses the calibration of levels of domestic support.

Laborde et al. design a number of scenarios to show the range of possible outcomes of the domestic support debate, given the new global environment and the communications submitted by Member countries in preparation for the upcoming WTO MC. Their analysis shows where each scenario is positioned in the political space available for each country, ranging from the least ambitious scenario to the most ambitious one. The inclusion of all or some of the Blue Box and Article 6.2 into the definition of OTDS is discussed, as is the measurement unit for the OTDS limit based on a percentage of the Value of Production (reference period or variable year). In addition, the ideas of including a product cap and a possible reduction of OTDS expenditures over time are illustrated in the scenarios, showing the benefits of reaching an agreement on the issue.
There remain many differences in opinion among WTO members regarding the question of domestic support for agriculture (see Illescas et al.), so it will be crucial to continue the

discussion on this topic if some kind of agreement is to be reached in Buenos Aires. At a time when there is a general tendency to implement more protectionist policies aimed at consolidating national production, eliminating water levels is a way of consolidating, or putting a ceiling on, the existing situation and preventing a return to the highest levels of domestic support allowed by current consolidated levels.

As mentioned in several of the articles in this book, if the WTO rules on domestic support are to be effective, compliance must be monitored and enforced. Additional questions have arisen as to whether domestic support has been notified appropriately in accordance with Article 6 and Annex 2.

The use of public stocks for food security purposes is also still widely debated within the WTO. As mentioned in the article by Díaz-Bonilla, it is important to start the discussion by defining the problem that food stocks try to solve. It is also important to note that neither emergency stocks nor food redistribution stocks should conflict with WTO disciplines if the products are purchased at market prices.

Under the market access pillar, the latest paper presented at the WTO by Paraguay and Peru has gained a lot of attention from other members. The paper proposes a continuation of the reform process in market access, done in steps; this would include tariff simplification, a reduction of the tariff overhang in the case of tariff peaks, a reduction of bound tariffs in the case of tariff escalation, and a cut in bound in-quota tariffs, following special and differential treatment for developing countries. The article by Tejeda and Perini emphasizes that in order to grant effective market access, sensitive products should be included in this proposal and non-tariff barriers should be taken into account. These authors also mention the importance of the Special Safeguard Mechanisms (SSM) for the agro-industrial sector; there will also need to be an agreement between Members that see this policy instrument as key in addressing import surges, price volatility, and food security goals and Members that believe the SSM can be used as trade protection.

As stated in the article by Illescas, the issues surrounding export subsidies still constitute unfinished business, given that the Nairobi Decision does not replace, reform, or amend the Agreement on Agriculture (AoA). In order to make the Nairobi Decision effective, countries must implement the commitments through a modification of their schedules. If such implementation does not happen, members can continue applying export subsidies without breaching international regulations. It will be crucial that this need for compliance is raised and recognized at the XIMC.

The second Part of this book presents two subjects that the WTO has thus far considered in a very tentative way and that have therefore seen little or no progress. They are, however, themes of great importance and urgency for the evolution of global food security and agricultural trade.

The first theme concerns export restrictions. As with other topics that have been discussed throughout this book, WTO Member countries can be classified into two groups based on their beliefs about how to treat the issue. The first group supports the idea of improving transparency regarding export restrictions, in line with the arguments presented by Singapore, in the paper presented at the WTO in July 2016. A second group - mostly developing countries - emphasizes the importance of export restrictions as a policy tool to deal with price volatility in the case of food shortages and food security needs. Bianchi and M. Piñeiro present the main arguments used for justifying the application of export restrictions and describe their potential effect on food security. These authors conclude that countries can resort to less distortionary policies than trade measures to

protect their vulnerable populations from extraordinary food price spikes and volatility. They also suggest that food exporters could benefit from an agreement that eliminates export restrictions in exchange for better market access (such as an escalation of import tariffs on food products). In contributing to the discussion about export restrictions, V. Piñeiro et al. report that although export taxes and export restrictions decrease domestic prices, they also contribute to higher international prices; in the long run, these restrictions could discourage investment in the agricultural sector and hence could reduce food supply. This would accentuate the increase in international prices, but would also create upward pressure on domestic prices. Using Argentina's, experience, they analyze the effect of the change in policies - export taxes and export restrictions in the agricultural sector - on the domestic economy and the world.

Our conclusion is that export restrictions need to be looked at from a big picture perspective - the whole world - rather than from the perspective of just one country. Export taxes can be effective for the country applying them if the objective is to keep domestic prices at a certain level. However, this measure could have a completely opposite impact on other countries by reducing the global supply of that commodity, driving global prices up, and hence hurting consumers in food-importing countries. Finding the right balance between political constraints and countries' desired goals will be crucial in the upcoming negotiations.

The second new theme presented in Part II relates to the proposal to incorporate environmental standards into the multilateral disciplines. The world population is expected to reach 8,500 million by 2030; this explosive population growth, coupled with urbanization and rapid expansion of the middle class, will put enormous pressure on food demand (both quantity and quality).

These food demands will require increased use of progressively scarce natural resources and will inevitably increase the carbon footprint from agricultural production. In response to these concerns, a number of food-importing countries have begun to suggest the need to apply environmental standards to food trade. The article by Papendiek and Idígoras takes up this challenge and proposes the concept of environmental efficiency in food production. Such a proposal would provide trade access incentives to countries that comply with the agreed-upon environmental standards and consequently would promote, globally, more environmentally efficient food production and food trade.

All of the proposals discussed under these themes (the traditional five that fall within the three pillars of the AoA, as well as the two new themes discussed above) need to be negotiated if we are to achieve a global trade system with fewer distortions. However, these proposals are still relatively minor in their expected overall impact on agricultural trade liberalization. They also will have limited impact on the challenges emerging from the four main global trends discussed in the introduction of this book – growth in agricultural trade, more trade players from the South, food trade concentrated in a few large net importers and net exporters, and environmental concerns and their relation to trade.

In our view, the WTO and its Member countries need to look boldly into the future and commit to a dialogue that will serve as the basis for a stronger role for international trade in the context of the complex and challenging issues that lie ahead. In building this dialogue, it is important to recognize the links between the XI WTO Ministerial Meeting and the G20 process. This is particularly relevant today, since both Ministerial meetings will be held in Buenos Aires before the end of 2018.

Three broad and complex issues emerge as especially important in our minds. The first issue has to do with the correct interpretation of the role of trade in the structural unemployment that pervades the world. It seems to us that technological change (automation, information technologies, etc.) is the main driver of this trend. Globalization and trade are only the mechanisms through which these technologies spread around the world. The problem we need to resolve is not how to stop technological change, but rather how societies can adjust their economic and social organization to handle the reduced need for human physical labor and instead take full advantage of the opportunities provided by these new technologies.

The second issue relates to the need for a better understanding of the relationships and interactions among world food security, climate change, and food trade. As the global population continues to grow and become wealthier, significantly increased food production will be needed in the next three decades. At the same time, climate change will continue to pose challenges to agricultural production in many areas. The main question then, is how food production can be concentrated in geographic areas that can produce food with the greatest environmental efficiency due to their ecological conditions, agrarian structures, and technological patterns.

Finally, the third issue relates to the market instability that may arise as a consequence of the large and increasing concentration of food trade in a few large net importing and net exporting countries and sub-regions. The relatively large size of these markets creates instability in global markets. In the absence of strong multilateralism and in an increasingly uncertain world, these large net importing or exporting countries could be tempted to take self-serving actions which could result in even more unstable international food prices and trade flows.

In addition to public policies at the country and regional level, appropriate responses to these broad issues will require more liberalized and fairer trade. Multilateralism in general, and the WTO, have a major role to play in ensuring the establishment of such a trading system.