

Thinking Inside the Boxes: Protection and Investments in the Development and Food Security Boxes

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DEVELOPMENT AND FOOD SECURITY BOXES**

(DRAFT)

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I. Background

During the agricultural negotiations of the Uruguay Round of GATT there was a lengthy discussion about domestic support measures within the Agreement on Agriculture (AoA) (Joslin et al, 1996). The legal provisions finally agreed on that subject are usually referred to as “boxes”: Amber, Blue, and Green.¹ This proliferation of boxes led to criticisms of the AoA, mainly because many of the provisions included were exemptions that industrialized countries had been able to secure for their policies. A separate concern was that the Special and Differential Treatment provisions² of the AoA for developing countries, sometimes called the “SDT box”, fell short of what those countries needed to implement adequate policies for rural development, poverty alleviation, and food security (UNCTAD, 2000).

The discontent with the AoA from many developing countries has been a recurring theme since the completion of the Uruguay Round, and it has continued during the current agricultural negotiations, initiated in March 2000 and reaffirmed at Doha in November 2001. Some developing countries have argued, caustically, that the AoA (and, also, the treatment of textiles in the WTO, among other issues) amount to substantial SDT for rich countries.³ That discontent was manifested in two main approaches that developing countries have followed to try to deal with the imbalances in the AoA (Konandreas, 2000). One has been to “play offense,” trying to limit the legal ability of rich countries to exclude other countries from their markets and to use funds from their Treasuries to compete against farmers in non-subsidizing countries (i.e. to reduce the “SDT” afforded to rich countries by the AoA). The other has been a mostly “defensive” strategy, such as asking for higher permissible levels of agricultural protection and subsidization in developing countries themselves (i.e. to expand SDT provisions for developing countries). Of course, both approaches are not mutually exclusive, and they have been mixed in different proportions in many proposals presented by developing countries since the beginning of the negotiations.

¹ Of course, in the AoA itself there are no references to “boxes” or, even less, colors.

² Under the GATT before, and the WTO now, there is the recognition in the legal texts that developing countries have special needs, and required favorable treatment than other WTO Members. Under the current WTO framework there are 145 SDT provisions in the different agreements and other legal documents. They have been classified as (a) increased trade opportunities; (b) provisions to safeguard the interests of developing country Members; (c) flexibility of commitments, of action, and use of policy instruments; (d) transitional time periods; (e) technical assistance; and (f) provisions relating to least-developed country Members (WTO, 2000. WT/COMTD/W/77. 25 October 2000)

³ See WT/GC/W/442, September 2001, Preparations For The Fourth Session Of The Ministerial Conference; Proposal for a Framework Agreement on Special and Differential Treatment. Communication from Cuba, Dominican Republic, Honduras, India, Indonesia, Kenya, Malaysia, Pakistan, Sri Lanka, Tanzania, Uganda, and Zimbabwe.

Mostly within a “defensive strategy”, different developing countries have suggested the notion of a Development Box (DB) or a Food Security Box (FSB), encompassing a set of SDT provisions applicable only to developing countries or a subgroup of them, to allow them to further protect and subsidize their agricultural production. The idea of a Development Box was initially advanced by a group of developing countries (WTO document G/AG/NG/W/13 by Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka and El Salvador). But other countries also supported the idea (for instance ASEAN countries (G/AG/NG/W/55) and the African Group (G/AG/NG/W/142)). India (G/AG/NG/W/102) proposed a variation of similar ideas as a Food Security Box, which has been supported by Indonesia (G/AG/NG/W/115), Turkey (G/AG/NG/W/172) and other countries. The proposals about these boxes, particularly the Development Box, are also backed by a variety of NGOs (see, for instance, Green and Priyadarshi, October 2001, and CAFOD, Action Aid, Oxfam and IATP, 2002).⁴

However, some developing countries during the negotiations raised concerns about several of the suggested SDT measures packaged into the Development/Food Security Boxes, especially those that led to increases in protection, mostly because they could end up hurting trade among developing countries themselves (WTO summary of negotiations, 2002). These concerns must be seen in the context of significant and growing South-South links: agricultural trade among developing countries, at close to 70 billion dollars per year during 1995-2001, represents more than 40% of all agricultural exports by developing countries, is about 1/5 of total trade in agricultural products (not counting intra-European Union trade), and those flows are projected to keep on increasing over time (Diaz-Bonilla, Robinson, and Gulati, 2003; Rosegrant et al, 2001).

The range of policies suggested under the notions of a Development Box (DB) or a Food Security Box (FSB) is rather broad (see Annex 1, for a more detailed list of the DB/FSB proposals presented by developing countries in the WTO negotiations). Although the proposals usually focus on different SDT provisions to protect and subsidize agricultural production in developing countries (“playing defense”), there are also different suggestions trying to limit the distorting policies of developed countries (“playing offense”), as well as some general, or systemic, issues. In turn, within the defensive approach, and although there are several proposals related to domestic support, the emphasis from many developing countries seems to be on the request for more flexibility to increase their levels of protection for reasons such as food security, rural development, and protection of rural livelihoods and small farmers.

Some proposals have argued for a “positive list approach” declaring which agricultural products or sectors they would like included in the AoA provisions, and only

⁴ Also, during the June 2002 meeting of the Agricultural Committee, a group of NGOs circulated a petition in support of the Development Box signed by, among others, IATP, Australian Council for Overseas Aid, German Forum for Environment and Development, Canadian Council for International Cooperation, Canadian Foodgrains Bank, Oxfam, GERMANWATCH, International Gender and Trade Network, International Coalition for Development Action, Church Development Service (EED) (Germany), and ActionAid.

those would be subject to AoA commitments (see for instance G/AG/NG/W/13, presented by 11 developing countries)⁵. Except for a broad flexibility granted through positive or negative lists, the other criteria for general exemptions have been usually included in specific modifications to legal clauses, mainly the possibility of maintaining or increasing border protection,⁶ and the streamlining of both current safeguards (against import surges and collapsing world markets, as suggested by India and others⁷) and countervailing measures (against subsidized exports, but also domestic subsidies, as suggested by different developing country members of the Cairns Group).⁸ Of course exclusion of products, or permanent and increased protection, are different from the use of contingent instruments for specific trade events.

As of this writing Stuart Harbinson, the Chairman of the Committee on Agriculture has presented a draft and a revision of the modalities for the negotiations (TN/AG/W/1, 17 February 2003 and TN/AG/W/1/Rev.1, 18 March 2003). The Harbinson Proposal (HP)⁹ does not consider the idea of having positive (or negative for that matter) lists of products, which would have basically changed the notion of integrality of the list of agricultural products. It also proposes reductions of market access restrictions for all products and for both developed and developing countries, although at different pace (but the 49 UN-designated Least Developed Countries, most of them in Sub-Saharan Africa, are excluded from commitments). Regarding remedies against export and domestic subsidies in developed countries, the HP does not include the streamlined countervailing procedure advocated by some Cairns Group members (see above) nor does it discuss Article 13 of the AoA (the “Peace Clause”).¹⁰ Presumably, the Peace Clause can be allowed to expire after the period defined under Article 1(f) of the AoA, which is 9 years since 1995 (ending at the beginning of 2004). This would suggest that export subsidies, but also domestic ones, would come under the Agreement on Subsidies and Countervailing Duties.

However, what the HP does consider, following in part the request of different developing countries, is the possibility for those countries to declare a yet to be specified number of agricultural products at a 6-digit or 4-digit level of the Harmonized Tariff

⁵ Other requests for general exemptions were based on specific policy objectives (see for instance G/AG/NG/W/96, December 2000 by Mauritius), or when related to small farmers (see for instance, G/AG/NG/W/130, February 2001 by Nigeria). A more detailed presentation is in Annex 1.

⁶ For instance exemption for developing country members to provide any minimum market access (G/AG/NG/W/102 January 2001, India); maintain current levels of bound rates on key staples (G/AG/NG/W/142, March 2001, African Group); possibility of rebalancing and raising low tariff bound during the Uruguay Round (G/AG/NG/W/102 January 2001, India). See Annex 1.

⁷ For the new special safeguard see G/AG/NG/W/102 January 2001, India; G/AG/NG/W/13, June 2000 by 11 developing countries, and G/AG/NG/W/142, March 2001, African Group.

⁸ See “Special and Differential Treatment for Developing Countries: Transitional Instruments to Expediently Countervail Subsidized Imports (SDCM),” Special Session of the Committee on Agriculture. Informal Meeting, 24-26 September 2001, by Argentina, Bolivia, Paraguay, the Philippines and Thailand. See Annex 1.

⁹ The HP is not discussed in detail here. For a more in-depth presentation see for instance Ruffer and Swinbank (2003), FOI (2003) and Diaz-Bonilla, Robinson, and Gulati (2003).

¹⁰ Article 13 of the Agreement on Agriculture excludes different domestic subsidies and export subsidies from countervailing duties and other trade remedies, under certain circumstances. See Annex 1.

System as "SP products" for food security, rural development and/or livelihood security concerns. The HP suggests tariff reductions of 10% with a minimum cut of 5% for those products, but there is no obligation to expand tariff-rate-quotas for them. Also for SP products, developing countries would be able to apply a special safeguard mechanism based on Article 5 of the Agreement on Agriculture.¹¹ The details, however, are yet to be worked out (there is a blank Annex that will have to be completed). A main issue is the number of products that can be designated as SP, and the possible operation of the SP safeguard (although it would in principle follow the operation of the current special safeguard).¹²

This paper focuses on a narrower set of issues related to the impact of protection versus other possible measures to help achieve the objectives of rural development, poverty alleviation, and food security.¹³ Some commentators (for instance, Madeley, 2000) have suggested the need to tilt policies in developing countries more strongly towards protection of the agricultural sector, suggesting, implicitly or explicitly, taxing consumers in those countries to support producers, basically through higher levels of border protection. In a similar vein, it has been argued that the legal exemptions allowed for developing countries under the current AoA (Green Box, *de minimis*, Article 6.2, and so on) are of no use to them, mainly because the policies permitted are very difficult to implement due to their financial, technical, and human resource requirements (Solagral, 1999; and UNCTAD, 2000). Usually, the conclusion of this line of analysis is that developing countries need additional flexibility, mainly in terms of the levels of protection allowed. Some of those arguments suggest that trade protection measures are simpler to implement institutionally than domestic support measures with a direct impact on productivity, and that, compared to the latter which require budgetary funds, protection "does not cost money." Similar points have been reiterated in a recent criticism of the HP arguing that developing countries should not be subject to a "grueling negotiating process where countries will have to fight for the number of crops they are allowed for exemptions", and that the SDT for domestic support¹⁴ "will require budgetary

¹¹ Regarding the "old" special safeguard of the Art. 5 of the AoA, while the HP proposes that it ceases to apply for developed countries (either at the end of the implementation period for tariff or two years after that), it is maintained for the developing countries that currently have access to the SG. However, the new and the old special safeguard cannot be applied jointly.

¹² Among other SDT provisions, the HP suggests that countries that acceded recently to the WTO be granted flexibility to begin implementation of further commitments regarding tariffs, tariff quotas, export subsidies and trade-distorting domestic support two years following the expiry of the full implementation of their accession commitments. The HP indicates (without specifying) that further consideration should be given to additional flexibility for certain groupings (e.g. Small Island Developing States, vulnerable developing countries, transition economies).

¹³ For broader discussions of DB/FSB and related issues see Diaz-Bonilla et al, 2002; Ruffer et al, 2002; and von Braun et al, 2002.

¹⁴ The HP also offers different new SDT provisions for domestic including changes in the Green Box (Annex 2) for public stockholding for food security purposes, and new Green Box measures for support for producers of staple crops, for small-scale/family farms, for payments for losses, and land retirement, among others. The HP maintains Article 6.2 of the AoA, that allows the use of some domestic support for low-income and resource-poor producers (LIRP), and expands its coverage with additional provisions for diversification from products harmful for human health, for concessional loans, transportation subsidies to remote areas, on-farm employment subsidies for families of LIRP, conservation measures, marketing support programs, quality and sanitary and phytosanitary regulations, competitiveness and marketing

outlays from countries who lack the resources to put domestic support programs into place” (IATP, February 2003).

This debate between protection versus domestic support as the main defensive strategies for achieving the objectives of rural development, poverty alleviation, and food security, will probably continue during the agricultural negotiations. Most of the discussion will center around the operation of the contingent trade measures available to developing countries. Some of the issues to be considered include the following. First, whether there would be a number of products designated as SP (as suggested in the HP), or, whether availability of the safeguard should not be limited to some number of products. The broader the coverage in terms of products, the larger the possible negative effects on domestic and world welfare. Another possibility, instead of making countries designate in advance the SP products, is to set some criteria that must be fulfilled, such as number of small farmers, importance in local diet, and so on. Other option is to limit the number of products that can, at the same time, be protected by the new safeguard, even though the general designation is left open, with or without some specific criteria as indicated. Second, is the issue of what countries can have access to that safeguard. The HP does not make distinctions among developing countries. The 49 Least Developed countries, on the other hand, do not have any obligation, so conceivably they could operate tariffs under the WTO system without restrictions. A third question is the operation of the safeguard, which would, in principle, be based on the current Special Safeguard. This has a price and a volume trigger that allows the imposition of additional import taxes as a proportion of the current applied levels. For the volume trigger the higher import taxes apply only until the end of the year when it has been invoked. The price trigger operates on specific shipments, and the additional import tax can only be imposed on that shipment. Some proposals want also the application of quotas (as in the normal Safeguard of Article XIX of GATT 1994), or that the import taxes be applied from bound tariffs (which are higher than applied tariffs in many developing countries). To avoid affecting small developing countries some proposals suggested that they be exempted when do not exceed some minimum level (individually or cumulative). A fourth issue is the link between the new Special Safeguard, and the accelerated countervailing proposal presented by some Cairns Group members. If the countervailing measure is accepted, a question is whether that would be in addition to, or instead of, the Special Safeguard. The countervailing measure may be more circumscribed in its application, to the extent that it would not affect countries that do not use export or questionable domestic subsidies.

This paper tries to contribute to that discussion. It presents a simple exercise modeling first an increase in protection for staple crops in those countries that supported the notion of a DB/FSB, and then traces the welfare, production, consumption, and trade effects in a world trade model. The value of the implicit tax is then calculated for every country increasing protection, and an equivalent value, now collected through an income tax, is invested in agricultural technology in those countries. As before, the world model

capabilities of low-income and resource-poor producers, establishment and operation of agricultural cooperatives, risk management of agricultural producers and savings instruments to reduce year-to-year variations in farm incomes.

is utilized to evaluate the overall repercussions of those expenditures. In Section II the world trade model is presented. Section III discusses the results of both simulations. Section IV concludes.

II. The Model

The framework of analysis is a general equilibrium model with a multi-region and multi-sector specification (a more detailed description of the model is in Diao, Diaz-Bonilla and Robinson, 2001). It includes 46 countries or regions and 37 sectors of production (see Annex 2). The base year is 1997 and the data come from the database of the Global Trade Analysis Project (GTAP), version 5 (Dimaranan and McDougall, 2002).

The main institutions of the model in each country are as follows. First, there is a single private household by country that saves a constant proportion of disposable income and buys consumption goods. The household owns the firms in that country but also works there, receiving wages, distributed profits, and transfers (which may be negative) from the government. The country's government collects trade and other taxes and spends all its tax revenues on consumption or transfers to households. A capital account by country collects savings and buys investment goods. Producers within a country/region are aggregated into one representative firm for each sector, which produces the respective good or service, buying intermediate goods and hiring factors of productions. There are 5 factors of production: skilled labor, unskilled labor, capital, land, and natural resources. In making production decisions, the firms choose the levels of labor and intermediate inputs to produce a single sectoral output, taking into account the price of sectoral outputs, the wage rate, the prices of intermediate inputs, and the existent stock of capital. Sectoral outputs are either sold in the domestic market or exported to foreign markets.

The domestically produced and consumed good from each sector is different both from the export good generated in that same sector (with that differentiation captured through a CET function), and from the imported good corresponding to that sector (utilizing a CES function). The composite export and import goods from each sector are also differentiated by country of origin/destination based on constant elasticity functions acting as aggregators. Domestic and world markets for goods and services equilibrate through changes in endogenously determined prices. Domestic production and consumption prices interact with world prices, the exchange rate per country, different levels of border protection, and other consumption, production, and export taxes or subsidies.

Factor markets also adjust through the interaction of demand, supply and prices. In the simulations the supply of all factors of production other than labor are kept at the base levels, and there are no changes in inter-country savings and investments flows. Following a long tradition in development analysis (see for instance Lewis, 1954, 1955) labor markets in developing countries are run with endogenous (un)employment, and non-flexible consumption real wages.¹⁵ This approach differs from many exercises with

¹⁵ Nominal wages divided by the consumer price index.

this class of world trade models that consider full employment with flexible wages as the equilibrating variable. Returns to factors of production (including wages) may vary across sectors in the same country due to other imperfections in their markets that are modeled as invariant to the policy experiments discussed here.

The US nominal exchange rate is fixed at 1; therefore the US dollar is the world numeraire, and world prices are expressed in US dollars. Every country has its own nominal exchange rate, which is allowed to float, and also a country-specific numeraire price index of domestic goods.¹⁶ Changes in the nominal exchange rate in a country affect the real exchange rate (defined as the ratio of the prices of traded goods to non-traded goods in each country/region), and there is a functional relationship between the real exchange rate and the trade balance in each country (Devarajan, Lewis, and Robinson, 1993).

A specific feature of the model utilized here is that it includes a parameter of technological change in the production functions of different primary agricultural products, which, in turn, depends on government expenditures in agricultural research and the returns to that research. It operates as follows.

The (value added) production functions in the primary agricultural sector relate sectoral value-added Q_t to the use of factors of production (e.g. labor, capital, natural resources)¹⁷, and the level of total factor productivity (TFP):

$$Q_t = TFP_t * F_1(L_t, K_t, NR_t, INP_t)$$

In turn TFP_t and its evolution over time is considered a function of government expenditures in agricultural technology and the return from those expenditures as

$$TFP_t = TFP_0 * (1+g)^t$$

and

$$g = (IRR/100) * (GovExpR\&D/AgGDP),$$

where g is the rate of growth (divided by 100) of TFP; IRR is the internal rate of return of public expenditures in agricultural R&D; $GovExpR\&D/AgGDP$ is the ratio of government expenditures in agricultural technology over agricultural value added; TFP_0 is the constant calculated at the base year (which embodies changes in TFP up to that time).

The relationship between g , IRR and $GovExpR\&D/AgGDP$ assumes that agricultural products are tradables in a small open economy. Then the change in the economic surplus for the economy due to expenditures in R&D can be approximated by

¹⁶ The model also includes a cash- in-advance specification (Clower, 1967) that can be utilized to anchor the nominal variables as an alternative to fixing a price index (see Walsh 1998, among others, for a general discussion of cash- in-advance models and Diao, Díaz-Bonilla, and Robinson 2001 for a CGE model which includes of a cash- in-advance technology).

¹⁷ Inputs are combined with value added in a Leontieff technology.

the producers surplus (Alston, Norton, Pardey, 1995). To calculate the IRR, Alston, Chan-Kang, Marra, Pardey, and Wyatt, (2000) consider that there is a perpetual flow of benefits B per year,¹⁸ and that the costs are approximated by a one-time expenditure C in year t_0 , so the formula $B/IRR = C$ applies. Based on those criteria, then a relationship between g , IRR, and the ratio of government expenditures over agricultural value added can be derived.¹⁹

The values of the IRR are those that correspond to the averages reported in Alston et al (2000) Table 17, page 62, for each one of the geographic regions considered in the model. The ratio of R&D expenditures over agricultural GDP comes from ASTI/IFPRI/ISNAR (<http://www.asti.cgiar.org/index.cfm>). The production functions, as all equations in the model, are calibrated to the base year data. In the simulation, total public expenditures in agricultural research are increased exogenously. That additional cost is financed with an income tax, so that the balance of the public budget is not changed. For every year of expenditures, there is a corresponding increase in the level of production according to the values of the IRR reported in Alston et al (2000), which accumulate over time.²⁰

The simulations consider two scenarios. In Scenario 1, protection is increased by 50% on grains (cereals) in different countries/regions with countries supporting the notion of a DB/FSB. The list of countries/regions considered as they appear in the GTAP database include: Indonesia, Philippines, Thailand, Viet Nam, Bangladesh, India, Sri Lanka, Rest of South Asia, Central America and Caribbean, Peru, Venezuela, Rest of Andean Pact, Turkey, Rest of Middle East, Morocco, Rest of North Africa, Botswana, Mozambique, Tanzania, Zambia, Zimbabwe, Rest of Southern Africa, Uganda, and Rest of Sub-Saharan Africa.

In that scenario the total implicit tax on consumption resulting from higher protection is calculated as a price wedges between world and domestic prices of the products considered (which include both the explicit tax of higher tariffs on the imported component and the implicit tax of a higher price of the national component).

¹⁸ In practice, for the values of the IRRs considered, about 20 years of flows of benefits suffice for the numbers to converge to the formula utilized in Alston et al, 2000. Several studies have found considerable evidence of lagged impacts of research that expand up to 30 years, with peak values of impact between 10 and 20 years (see for instance, Cox, Mullen and Hu, 1996).

¹⁹ Under those assumptions the change in total economic surplus (ΔTS) is the change in the producer surplus (ΔPS), calculated as $\Delta PS = P_w * Q_0 * K * (1 + 0.5 * K * \epsilon)$ where P_w is the world price, Q_0 is the quantity produced before the change in technology, K is the vertical down shift of the supply curve (resulting from the technological innovation) expressed as a proportion of the initial price, and ϵ is the elasticity of supply. The vertical shift in the supply curve K (the reduction in cost for the same quantity produced) can be transformed into the percentage increase in production $(Q_1 - Q_0)/Q_0$, under neutral technical change with fixed proportion and linear supply curves, called J , as $K = J/\epsilon$. Following the usual normalization of world prices to 1, assuming values for ϵ as in Alston, Norton, and Pardey (1995), and combining the equation for ΔPS with the definition of IRR, we obtain g as function of IRR and the ratio of government expenditures to agricultural production.

²⁰ For changes in agricultural productivity what is important is the accumulation of expenditures in research (stocks), by opposition simply to considering annual flows (Pardey and Bientema, 2001)

In Scenario 2, the total cost of protection is transformed into an explicit tax for the same amount, now collected by the government. Then those funds are utilized to increase investments in agricultural technology for all primary products. That new level is then maintained over time. The simulation results are based on the accumulated incremental impact of those new levels of expenditures in agricultural research (i.e. the difference between the cumulated old and new levels of expenditures on agricultural R&D), over the same medium run considered for the first simulation on protection.²¹

III. Results of the Simulations

The simulations are presented in Tables 1 to 7, where the scenarios are labeled “Protection” and “R&D”. Those tables show the comparative static results between the base year and the configuration of the economic variables with the policy changes simulated. The increase in protection reduces world welfare (measured as equivalent variation in consumption) in about 1 billion US dollars. As in similar cases, the countries increasing protection bear most of the welfare losses, here amounting to about 790 million US dollars. The main negative impact occurs on countries in Northern Africa and Middle East, which are large importers of cereals and have more problems to expand domestic production to substitute for imports. But that increase in protection in the DB/FSB countries also reduces welfare for the rest of the world, both for other developing countries not participating in the increase in protection (a decline of about 160 million US dollars) and for developed countries (a loss of 230 million US dollars) (Table 1).

While the consumption measure is the more adequate one in welfare terms, countries tend to look at trade negotiations from the perspective of production and employment. Therefore Tables 2 and 3 present changes in Gross Domestic Product at factor cost and labor employment after the increase in protection for the DB/FSB countries (first columns). Although the changes are very small (just fractions of 1%) they are almost universally negative, i.e. overall GDP and employment for the whole economy decline with increased protection, even though the protected sectors themselves expand (not shown here). This is in part related to the fact that other productive sectors using the protected crops as inputs (from livestock and poultry, to flour mills and bakery) are affected by higher costs of inputs.²² In addition, the increase in the cost of food with sluggish real consumption wages, leads to increases in the real production wages (i.e. nominal wages divided by the sectoral production prices) for different activities. This may reduce the competitiveness of export-oriented and import-substituting manufactures (such as textiles and others), affecting also production and employment there. It is well known that one of the historical reasons why many developing countries shifted internal terms of trade against agriculture was to maintain the cost of food, and therefore, of salaries, low enough to foster industrialization. While history shows that such strategy

²¹ About 10 years.

²² Some could argue that then those sectors should also be protected and, so on, sector after sector. But many productive sectors are non-tradable and then must bear the cost of the protected sectors. Other usual general equilibrium effect is that protection of import-competing sectors, which obviously reduces imports, ends up hurting exports through different channels (such as appreciation of the real exchange rate).

had heavy costs for the economy, the agricultural sector, and for poverty alleviation (Little et al, 1970, Balassa et al, 1982, Balassa 1986), forcing the terms of trade against industry does not seem the best way of inducing a sustainable, pro-poor development strategy.

In addition to the production and employment effects, another reason usually invoked for increased protection is food security. Tables 4, 5, and 6 present the results of the simulations for three variables that have been utilized in different studies of food security at the country level (see for instance Diaz-Bonilla et al, 1999): food consumption in real terms, grains consumption in real terms, and the ratio of food imports over total exports. Certainly, from the point of view of food security it is more relevant to look at consumption, and not production, of food. For instance, Smith and Haddad, 2000, have shown that, along with other factors (such as women education and health care), increases in total national availability of food (which includes imports along with domestic production) have a positive impact on the decline of child malnutrition. With increased protection, however, and although there is more production of the goods protected (not shown in the Tables here), there is less consumption and utilization overall, because prices increase and imports are curtailed (Tables 4 and 5). Even though, as before, the reductions are not large in percentage terms, except for the cases of Middle East and Botswana, a conclusion is that food security may be compromised with increased protection (see also Sumner, 2000).

Table 6 presents the ratio of food imports over total exports, indicating the trade effort that a country must make to finance its food imports. This ratio, which shows large variation across countries, is a better indicator of trade vulnerability than the ratio of food imports to exports that has been utilized in the WTO to define the Net Food Importing Developing Countries (see Diaz-Bonilla et al, 1999). For instance, Venezuela, an NFIDC that is a large net importer of food items, has nonetheless a low ratio of about 5% (below the average for developing countries), mostly because it is a large exporter of oil, while Peru, also an NFIDC, has more than double that ratio (about 12%) (Table 6). The simulations show that protection reduces the ratio in all countries (some changes are too small to be reflected at just one decimal), but as argued before, this happens because imports, and consumption, are compressed, while a more desirable outcome for food security would be a decline in that ratio resulting from increased exports.

As it has been already indicated, another concern raised by several developing countries has been the impact of increased trade protection because of the DB/FSB on South-South trade. Table 7 shows the results of the simulations: agricultural trade among developing countries, including those applying the higher levels of protection, declines by about 300 million dollars, and overall agricultural trade falls by some 880 million US dollars. The larger declines are for developed countries (about 580 millions), and for other developing countries like Argentina, China and South Africa (not shown here), whose exports drop by more than 200 millions US dollars. But even those countries applying higher protection lose trade for about 150 million dollars, mainly grains exporters in the Asian region such as Thailand, Vietnam, and India affected by protection in other markets (demand side effect), but also there are declines in exports of other

agricultural products because land has been reallocated to the protected crops (supply side effect).

Tables 1-6 in the second column show the comparative static results of transforming the implicit consumption tax of protection (mostly collected by the private sector) in an explicit tax that the government allocates to R&D in agriculture. World welfare increases by about 2.2 billion US dollars, and welfare in DB/FSB countries goes up by about 1.7 billion US dollars, mostly due to changes in the Northern Africa and Middle East region. Still the rest of the DB/FSB countries also benefit from an increase in welfare of more than 300 million US dollars (Table 1). Table 2 and 3 show increases, although small, in GDP and employment. Food and grains consumption also go up, with some bigger gains in Sri Lanka, Rest of Middle East, and Rest of North Africa, followed by Philippines, Botswana, and Morocco (Tables 4 and 5), but the ratio of food imports over total exports does not change much from the base year (Table 6). All in all, investments in the sources of increased productivity show obvious gains in production, employment, and food security.

IV. Some Implications for Policies and Negotiations

This paper has analyzed two possible options (protection and investments in agricultural R&D) within a defensive strategy for developing countries, as embodied in the notion of a Development Box/Food Security Box. When analyzing the DB/FSB proposals, or any other policy prescription, the issue is not the recognized importance of agriculture in development, that agriculture is very dissimilar in developing and developed countries, or whether the agricultural sector is different in some abstract sense. There is widespread agreement on the importance of a healthy agricultural sector in developing countries to support any successful strategy for economic development, and reduction of poverty and hunger, particularly for low-income developing countries, where the majority of the population and most of the poor live and work in rural areas (IFAD, 2001, Delgado et al. 1999, and McCalla, 2000). The point is whether adequate policies for attaining the objectives of rural development and poverty and hunger alleviation are legally constrained under the current WTO framework, or whether harmful policies are permitted.²³ In this regard, different studies have shown the negative impact of developed countries' policies on the agricultural sector in developing countries (see Valdés A. and Zietz, J. A. 1980; Goldin, I., and O. Knudsen, ed. 1990; Sharma R., P. Konandreas, and J. Greenfield, J. 1996; Hertel, T. W., K. Anderson, J. F. Francois, and W. Martin. 2000; Diao, X., T. Roe, and A. Somwaru (2002); Diao, Diaz-Bonilla, and Robinson, 2003). This indicates the importance for the latter countries of maintaining the

²³ A recent petition by a group of NGO focusing on the notion of a Development Box puts the issue succinctly as follows: "...The right Development Box could enable governments to create a trade policy that supports and respects a clear strategy for rural development... [G]ood trade policy must take its lead from good development policy. Good development policy... must reflect the needs and priorities of the rural poor, especially the most marginalized among them" (The Development Box and The Agreement on Agriculture Negotiations, June 19th, 2002. Declaration signed by NGOs). Except for the fact that the notion of who are the poor should also include vulnerable groups in urban settings, that statement is also the perspective taken here.

focus on trying to limit the ample legal room, coupled with large economic resources, that industrialized countries have to disrupt world markets.

Developing countries also need to carefully analyze their own agricultural policies, and base their requests for SDT on that analysis. For years, many of them have discriminated against agriculture, and currently, although the most obvious macroeconomic biases may be gone (Jensen, et al., 2002), a large percentage still does not invest enough in agriculture and rural development. At the same time, as already mentioned, several developing countries have indicated concerns during the current WTO agricultural negotiations that further trade liberalization could create problems for their large and predominantly poor agricultural populations. Poor countries have argued for a slower pace in reducing their tariffs on the premise that industrialized countries should first eliminate their higher levels of protection and subsidization. A related concern is how to manage sudden negative impacts such as subsidized exports, or import surges. Poor producers may see their livelihoods irreparably damaged by unfair trade competition and drastic shocks, if for instance they are forced to sell productive assets or take children from school (see Addison and Demery, 1989; Lipton and Ravallion, 1995). The concerns raised by developing countries regarding the presences of significant distortions in world markets, and the need to protect vulnerable groups from negative shocks, are important issues that must be addressed. The need to limit protectionism and subsidies in developed countries, the requests for longer transition periods, and the design of some policy instruments in the WTO framework that are better tailored to poor countries' capabilities to manage unfair trade practices and shocks, all seem compelling.

However, there have also been arguments for even further agricultural protection in developing countries to ease poverty and promote food security. As discussed before, sometimes this suggestion is accompanied by the argument that protection "does not cost money" and is easier to implement in poor countries than alternative policies such as investments in agricultural technology, extension, and infrastructure. According to this argument developing countries need "flexibility" to change levels of protection.

But experience teaches that trade protection has concrete costs -a point reinforced by the simulations reported above. Contrary to common perceptions that see protection as a tax paid by foreigners and collected by governments, much of the (implicit) tax (as argued before) is paid by domestic consumers and collected privately by producers in the form of higher prices.²⁴ This tax on food has an obvious negative impact on poor households, which in many developing countries spend more than 50% of their incomes to feed themselves (FAO 1993), and is mainly received by bigger agricultural producers, which have larger quantities of products to sell. Landless rural workers, the increasing number of poor urban households²⁵, and also many poor small farmers, tend to be net

²⁴ Typically not more than 10-15 percent of total domestic food consumption, and in many cases less than that, is imported in developing countries (see Diaz-Bonilla, 2001).

²⁵ There has also been a steady shift in the locus of poverty, food insecurity, and malnutrition from rural to urban areas in many developing countries (Ruel et al., 1998, 1999; Garrett and Ruel, 2000). Urbanization in developing countries is posing new questions regarding economic and social policies in general, and also in relation to the impact of trade and trade policies on poverty and food security. A similar profile of trade protection (or trade liberalization) will have different implications for developing countries with important

buyers of food. The problems faced by poor farmers and poor consumers are better addressed through policies and investments targeted to them directly. The focus should mostly be on vulnerable groups rather than crops.

Also it is not necessarily true that the institutional requirements to run efficient and honest customs administrations that can adequately manage the stepped-up border measures suggested by some, are less exacting than organizing, for example, an efficient system of agricultural research and extension. Whatever the institutional requirements, it is obvious that the interventions allowed under the AoA without restrictions, such as research, extension, infrastructure, and irrigation, to name a few, are the real foundations for increases in production, productivity, and competitiveness, and for the reduction in poverty (Fan, Hazell, and Thorat, 1999; IFAD, 2001). Trade protection measures, on the other hand, are mostly internal transfers (and largely regressive in the case of food), without any direct link to the real sources of agricultural productivity growth.

A related issue is the argument for increased flexibility. In trade, and other, negotiations the parties usually try to limit other peoples' options while attempting to retain flexibility for oneself. But it seems dubious that developing countries be granted ample flexibility, while industrialized countries renounce theirs. Of course, in any balanced negotiation, all parties would become committed to some mutually agreed rules, even if they have different provisions for different parties. Developing countries, as weaker players in the global arena, need an international legal system that limits the ability of larger countries to act unilaterally. Moreover, there are arguments why some lack of flexibility may be beneficial to developing countries (Oyejide, 2000). First, the implementation of internationally negotiated rules may limit the power of special interests and arbitrary government measures within developing countries, helping to strengthen domestic legal and institutional frameworks (Diaz-Bonilla, 2000). Second, it has been shown that investment is in part related to the stability and certainty of the policy framework (Campos, Lien and Pradhan, 1999; Solimano, 1989). A legal framework, internationally sanctioned, that limits flexibility and uncertainty should help investment.

The best approach for developing countries' own policies is to eliminate biases against the agricultural sector in the general policy framework and to maintain a neutral trade policy reducing protection overtime, while fully using transition periods negotiated in the WTO to increase investments in human capital, land tenure, water access, technology, infrastructure, nonagricultural rural enterprises, organizations of small farmers, and other forms of social capital and political participation for the poor and vulnerable. None of these policies is constrained under the WTO Agreement on Agriculture, and current negotiations seem poised to give even more policy room to developing countries in that area. The claims for more protection out of concern for small farmers while under-investing in rural development and poverty alleviation would otherwise ring hollow.

contingents of urban poor affected by food insecurity, than for other poor countries where a majority of the population affected by poverty and food insecurity lives in rural areas and works in agricultural production.

If that policy framework is accepted, then the implications for the negotiations are straightforward. First, in building the case for special and differential treatment, developing countries should avoid undermining their main interest, which is keeping the focus of the negotiations on the exemptions and special privileges enjoyed by rich countries under the AoA. Centering the arguments on how to alleviate poverty and hunger, rather than peripheral issues such as whether agriculture is different, avoids blurring the differences between industrialized and developing countries on these issues. Second, developing countries must acknowledge, as argued before, that high and permanent protection for food products, by affecting economy-wide growth, employment, and productivity, and by increasing prices of food, most likely worsens the plight of the poor. If developing countries really want to benefit from these negotiations, they must focus on “playing offense.” Limiting the possibilities for subsidization and protection in industrialized countries is the best way to stimulate opportunities for production in developing countries, both for export markets and for their domestic markets, where they have to compete many times with subsidized products from industrialized countries.

Emphasizing “offense” does not imply that developing countries should avoid “playing defense” in some combination of strategies. Food insecure and vulnerable countries need a) longer transition times that must be utilized to implement adequate rural development and poverty alleviation strategies, and b) simplified and streamlined instruments to confront unfair trade practices and import surges that may irreparably damage the livelihoods of small farmers.

In assessing both sets of simulations presented above it must be born in mind that the results refer basically to increases in permanent protection, and do not necessarily invalidate the need for temporary policy instruments for developing countries to confront sudden negative trade shocks and unfair trade practices. The HP offers new basis for domestic support and includes the acceptance of the idea of special products due to food security, rural development, or livelihood security considerations, for which there will be a new special safeguard, lower reduction in tariffs and no increases in TRQs. But, at the same time, depending on how the operation of instruments for contingent protection are defined, there is the risk that they may be utilized in ways that lead to high and persistent protection, affecting both development, poverty, and food security goals in the countries applying them, as well as negating welfare-enhancing trade opportunities for other developing countries. Important technical work remains to be done, to ensure that the new instruments really address unfair trade practices and import surges, without becoming excuses for high and persistent protection.

Yet in any negotiation, there is always the risk of “lose-lose” scenarios, in which industrialized countries retain their high levels of protection and subsidization, while developing countries, as a defensive response, increase their levels of protection. In a non-liberalizing bargaining equilibrium (“I protect and subsidize so you also protect and subsidize”), developing countries would lose export opportunities that generate employment and incomes, while paying the costs of higher food items in their own markets. In developed countries taxpayers and consumers would still be burdened with

the costs of subsidizing inefficient producers in ways that do not necessarily protect the environment or achieve a more equitable income distribution in their societies, while stifling agricultural development in poorer countries, with all the negative implications for the world of maintaining unresolved poverty, hunger, health, and security issues.

Even if the agricultural negotiations succeed, the problems of poverty and hunger in developing countries require a multilevel approach that includes but goes beyond changes in WTO rules. Special and differential treatment at the level of staple crops considered relevant for food security, or for other reasons, may not necessarily be the most effective and equitable way to address problems of poverty and hunger. Instead, poor countries need adequate policies that operate at the household and individual levels. More investment should be targeted to the poor and vulnerable, rather than to protect and subsidize crops in general, which usually benefits larger farmers. This targeted support requires additional financial resources from the international community. Such support is not, institutionally, within the purview of the WTO. However, a commitment by industrialized countries to seek additional funding for rural development, poverty alleviation, and food security in developing countries, might well be included as “side agreements” in the new WTO texts. Additionally, poverty and hunger alleviation will benefit from a more stable global economic environment, coupled with peace, good governance, and the right policy priorities in developing countries. A successful negotiation in the WTO can help the poor and hungry. But without addressing those other key factors, any modification in the WTO agreements may have limited benefits.

Table 1 Welfare Effect (Equivalent Variation)

(Billion US dollars change from the base)

	Protection	R&D
East Asia a/	-0.07	0.12
India	-0.04	0.05
Rest of South Asia	-0.03	0.10
Central America and South America b/	0.00	0.07
Turkey	-0.01	0.03
Northern Africa and Middle East	-0.63	1.29
Rest of Africa c/	-0.01	0.05
Development Box Countries	-0.78	1.70
All developing countries	-0.84	1.76
All developed countries	-0.23	0.40
World	-1.07	2.16

Notes

a/ Indonesia, Philippines, Thailand, VietNam

b/ Includes Central America and Caribbean, Venezuela, Peru and Ecuador

c/ Does not include South Africa

Table 2 Effect on GDP (factor cost)

(% change from the base)	Protection	R&D
Indonesia	0.00	0.01
Philippines	-0.12	0.16
Thailand	-0.02	0.00
Viet Nam	-0.13	0.04
Bangladesh	-0.01	0.07
India	-0.02	0.02
Sri Lanka	-0.11	0.41
Rest of South Asia	-0.05	0.03
Central America and Caribbean	-0.02	0.09
Peru	-0.04	0.06
Venezuela	-0.03	0.02
Rest of Andean Pact	-0.02	0.01
Turkey	-0.02	0.02
Rest of Middle East	-0.22	0.28
Morocco	-0.02	0.21
Rest of North Africa	-0.03	0.35
Botswana	-0.06	0.09
Mozambique	-0.01	0.00
Tanzania United Republic of	-0.03	0.07
Zambia	-0.01	0.01
Zimbabwe	-0.09	0.03
Rest of southern Africa	-0.01	0.02
Uganda	-0.03	0.14
Rest of sub-Saharan Africa	-0.02	0.04

Table 3 Total Labor		
(% change from the base)	Protection	R&D
Indonesia	0.00	0.01
Philippines	-0.09	0.12
Thailand	-0.03	0.00
Viet Nam	-0.13	0.04
Bangladesh	-0.01	0.08
India	-0.02	0.02
Sri Lanka	-0.10	0.38
Rest of South Asia	-0.05	0.03
Central America and Caribbean	-0.01	0.07
Peru	-0.01	0.03
Venezuela	-0.01	0.01
Rest of Andean Pact	0.00	0.00
Turkey	-0.01	0.01
Rest of Middle East	-0.17	0.22
Morocco	-0.02	0.21
Rest of North Africa	-0.02	0.34
Botswana	-0.05	0.08
Mozambique	-0.01	0.00
Tanzania United Republic of	-0.01	0.05
Zambia	0.00	0.01
Zimbabwe	-0.08	0.01
Rest of Southern Africa	0.00	0.01
Uganda	-0.02	0.12
Rest of Sub-Saharan Africa	-0.01	0.03

Table 4 Effect on Food Consumption in Real Terms

(% change from the base)	Protection	R&D
Indonesia	0.00	0.02
Philippines	-0.40	0.59
Thailand	0.00	0.01
Viet Nam	-0.20	0.42
Bangladesh	-0.03	0.15
India	-0.01	0.04
Sri Lanka	-0.25	1.17
Rest of South Asia	-0.04	0.08
Central America and Caribbean	-0.18	0.37
Peru	-0.20	0.23
Venezuela	-0.10	0.08
Rest of Andean Pact	-0.08	0.06
Turkey	-0.07	0.08
Rest of Middle East	-1.21	1.54
Morocco	-0.20	0.65
Rest of North Africa	-0.15	1.15
Botswana	-0.19	0.47
Mozambique	-0.01	0.02
Tanzania United Republic of	-0.09	0.13
Zambia	-0.01	0.03
Zimbabwe	-0.38	0.18
Rest of southern Africa	-0.03	0.07
Uganda	-0.04	0.29
Rest of sub-Saharan Africa	-0.06	0.12

Table 5 Effect on Grain Consumption in Real Terms

(% change from the base)	Protection	R&D
Indonesia	0.00	0.02
Philippines	-0.87	0.85
Thailand	-0.10	0.00
Viet Nam	-0.45	0.46
Bangladesh	-0.04	0.16
India	-0.04	0.04
Sri Lanka	-0.99	1.26
Rest of South Asia	-0.08	0.07
Central America and Caribbean	-1.21	0.47
Peru	-1.14	0.31
Venezuela	-1.18	0.11
Rest of Andean Pact	-0.52	0.10
Turkey	-0.65	0.13
Rest of Middle East	-4.82	1.92
Morocco	-0.86	0.74
Rest of North Africa	-0.67	1.33
Botswana	-3.39	0.78
Mozambique	-0.03	0.04
Tanzania United Republic of	-0.25	0.23
Zambia	-0.04	0.04
Zimbabwe	-1.33	0.35
Rest of southern Africa	-0.24	0.13
Uganda	-0.32	0.28
Rest of sub-Saharan Africa	-0.11	0.14

Table 6 Ratio of food imports/total exports

(%)	Base	Protection	R&D
Indonesia	5.5	5.5	5.5
Philippines	5.9	5.8	5.9
Thailand	3.4	3.4	3.4
Viet Nam	4.0	4.0	4.0
Bangladesh	16.3	16.1	16.3
India	4.2	4.2	4.2
Sri Lanka	11.0	10.7	10.9
Rest of South Asia	16.2	16.2	16.2
Central America and Caribbean	11.0	10.9	11.0
Peru	12.5	12.1	12.4
Venezuela	5.3	5.2	5.3
Rest of Andean Pact	8.8	8.7	8.8
Turkey	6.1	6.0	6.1
Rest of Middle East	6.9	6.7	6.9
Morocco	10.2	9.8	10.2
rest of North Africa	15.5	15.2	15.5
Botswana	6.7	6.6	6.7
Mozambique	18.9	18.8	18.9
Tanzania United Republic of	18.3	17.9	18.3
Zambia	1.7	1.7	1.7
Zimbabwe	4.8	4.7	4.8
Rest of southern Africa	7.3	7.3	7.3
Uganda	5.1	4.9	5.1
Rest of sub-Saharan Africa	8.1	8.0	8.1
Rest of world	9.6	9.6	9.6
All developing countries	6.6	6.6	6.6
All developed countries	4.2	4.2	4.2
World	5.0	5.0	5.0

Table 7. Effect on value of total agricultural exports
(Change from the base in Million US dollars)

	Protection
Indonesia	-1.1
Philippines	-5.5
Thailand	-12.2
Viet Nam	-21.0
Bangladesh	-0.5
India	-31.6
Sri Lanka	-2.2
Rest of South Asia	-16.0
Central America and Caribbean	-6.6
Peru	-3.6
Venezuela	-0.5
Rest of Andean Pact	-1.8
Turkey	-5.1
Rest of Middle East	-22.0
Morocco	-2.9
Rest of North Africa	-3.9
Botswana	-0.1
Mozambique	-0.1
Tanzania United Republic of	-1.0
Zambia	0.0
Zimbabwe	-5.2
Rest of southern Africa	-0.1
Uganda	-0.5
Rest of sub-Saharan Africa	-3.2
Development Box Countries	-146.4
All developing countries	-305.8
All developed countries	-575.9
World	-881.7

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ANNEX I. What boxes?

The idea of a Development Box was initially advanced by a group of developing countries (WTO document G/AG/NG/W/13 by Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka and El Salvador). But other countries also supported the idea (for instance ASEAN countries (G/AG/NG/W/55) and the African Group (G/AG/NG/W/142)). India (G/AG/NG/W/102) proposed a variation of similar ideas as a Food Security Box, which has been supported by Indonesia (G/AG/NG/W/115), Turkey (G/AG/NG/W/172) and other countries. The proposals about these boxes, particularly the Development Box, are also backed by a variety of NGOs, some of which, such as Catholic Agency for Overseas Development (CAFOD), the South Center, and the Institute for Agriculture and Trade Policy (IATP), helped to draft or extend the original concept (see, for instance, Green and Priyadarshi, October 2001).²⁶

Although there are variations, usually the notions of a Development Box (DB) or a Food Security Box (FSB) focus on different SDT provisions to protect and subsidize agricultural production in developing countries (“playing defense”). There are however proposals focusing on the policies of developed countries (“playing offense”), as well as some general, or systemic, issues. They are discussed immediately in that order.

II.1 Proposals Regarding Policies of Developing Countries (“defense”)²⁷

Many of the SDT provisions usually considered part of the DB or the FSB, refer to exemptions for domestic policies of developing countries. They can be divided into those that advocate general flexibilities for developing countries or a subset of them (and therefore there would not be much need of discussing the wording of specific clauses in the AoA, except the ones granting those general flexibilities), and those that suggest changes in specific clauses in one or more of the three areas of market access, domestic support, and export subsidies (the so-called “three pillars” of the AoA) and/or other related topics.

A. General flexibility or exemptions

The first proposal for a Development Box mentioned before (G/AG/NG/W/13, presented by 11 developing countries; see the list before) suggested a general flexibility related to specific agricultural *products*. Developing countries would be allowed to apply a “positive list approach” declaring which agricultural products or sectors they would like included in the AoA provisions, and only those would be subject to AoA commitments. Conceivably, a negative list could also be utilized, with products being excluded from

²⁶ Also, during the June 2002 meeting of the Agricultural Committee, a group of NGOs circulated a petition in support of the Development Box signed by, among others, IATP, Australian Council for Overseas Aid, German Forum for Environment and Development, Canadian Council for International Cooperation, Canadian Foodgrains Bank, Oxfam, GERMANWATCH, International Gender and Trade Network, International Coalition for Development Action, Church Development Service (EED) (Germany), and ActionAid.

²⁷ The proposals discussed are followed by one or more examples of developing countries that raised the issue, but those countries mentioned are not necessarily the only ones that presented or supported the proposal mentioned in each case.

disciplines. Although the proposal referred to products (“key staples”) that presentation, and others, considered additional criteria for defining general flexibility in the WTO commitments. One was to grant flexibility in obligations when developing countries were pursuing specific *policy objectives*, such as food security, poverty alleviation, rural development, rural employment, and diversification of agriculture. The suggestion is that in those cases all measures taken by developing countries will be exempted from disciplines (see for instance G/AG/NG/W/96, December 2000 by Mauritius and poverty reduction measures). Another proposals for general flexibility emphasized measures protecting and subsidizing *small farmers*, (see for instance, G/AG/NG/W/130, February 2001 by Nigeria, which requests “flexibility regarding import restraint and domestic subsidy for the protection of, and support to household subsistence farming and small-scale farming in countries where such farming is very important”).

Except for a broad flexibility granted through positive or negative lists, the other criteria for general exemptions have been usually included in specific modifications to legal clauses in some of the three main topics of domestic support, market access, and export subsidies, and/or to related topics. They are discussed immediately.

B. Domestic Support

According to the Agreement on Agriculture prohibited domestic subsidies (the so-called “Amber Box”) have to be included in the calculation of the “Aggregate Measure of Support”²⁸(AMS) and reduced over time (by 20% from the 1986-88 baseline). There were several types of domestic support exempted from being included in the AMS: Annex 2 of AoA (so called “Green Box”), Article 6, paragraph 5 (“Blue Box”), “de minimis” value of product specific and non-specific support (Article 6, paragraph 4), and Article 6 paragraph 2 (which exempts developing countries from reduction commitments in the case of “measures of assistance, whether direct or indirect, to encourage agricultural and rural development” which “are an integral part of the development programs of developing countries”). Least Developed Countries, as defined by the United Nations, were exempted from any reductions in the AMS, and in the other areas (Article 15.2). During the current negotiations several developing countries have suggested additional expansions of the SDT for domestic support in addition to those listed. Some of the main suggestions include:

- (i) increasing the current de minimis for developing countries from 10% to 20% (see for instance G/AG/NG/W/124 by Sri Lanka);
- (ii) (ii) maintaining and expanding Article 6.2 (for instance, excluding product specific support given to low income and resource poor farmers from the AMS), and ensure that the support given according to that Article is protected from countervailing duties and other measures as discussed in Article 13 (Due Restraint Clause, also called “Peace

²⁸ As it is well known the AMS as defined by the AoA is different from the Producer Support Estimates (PSE) calculated by the OECD. Among other differences, the OECD measure includes a) market protection, which in the WTO is treated separately from the AMS under market access provisions; b) Amber measures, but the reference prices for calculating price support are different between the AMS and the PSE; c) Blue Box measures; and d) some of the Green Box measures, like decoupled payments. The OECD also calculates the Total Support Estimate, which in addition to the PSE, includes the rest of the Green Box measures.

- Clause”²⁹) (see among others G/AG/NG/W/130, February 2001 by Nigeria, and G/AG/NG/W/55, November 2000 by ASEAN countries);
- (iii) (iii) exempting from reduction commitments measures taken by the developing countries for poverty alleviation, rural development, rural employment and diversification of agriculture (G/AG/NG/W/102, January 2001, by India) or for food security reasons or to help small farmers (G/AG/NG/W/130, February 2001 by Nigeria); more generally, the expenditures for development programs may be excluded from being counted in the AMS (G/AG/NG/W/142, March 2001, by the African Group);
 - (iv) (iv) exempting from the AMS subsidies by developing countries for the purchase of food products for public stocking (G/AG/NG/W/130 February 2001 by Nigeria);
 - (v) (v) allowing the compensation in the AMS of products with positive and negative specific support (G/AG/NG/W/102 January 2001 India); and
 - (vi) (vi) the possibility of notifying domestic support in a “stable currency/basket of currencies” to take “into account the incidence of inflation and exchange rate variations” (G/AG/NG/W/102 January 2001 India).

C. Market Access

The general rule under the AoA was that all border measures in agriculture other than ordinary customs duties, such as quantitative import restrictions, variable import levies, minimum import prices, discretionary import licensing, non-tariff measures maintained through state trading enterprises, voluntary export restraints and any other schemes, had to be transformed into tariffs (the so-called “tariffication” process), and then reduced over the six-year implementation period by 36% (simple average) with a minimum rate of reduction of 15% for each tariff line. Developing countries could apply two-thirds of the rates of reduction indicated above. But tariff-rate quotas³⁰ were allowed

²⁹ Article 13 (a) of the AoA excludes Green Box from countervailing duties and actions based on claims of injury, nullification and impairment of concessions, and serious prejudice; and, from actions based on non-violation nullification or impairment of the benefits of tariff concessions. Further, Article 13 (b) exempts domestic support measures under Article 6 of the AoA (which includes the Blue Box, used now mostly by the EU; the de minimis levels of support in developed and developing countries and the SDT treatment for low-income and resource-poor farmers and some other subsidies permitted for developing countries) from the imposition of countervailing duties unless there is injury; and from actions based on claims of injury, nullification and impairment of concessions, and serious prejudice, as well as actions based on non-violation nullification or impairment of the benefits of tariff concessions, if the subsidies on a commodity basis did not exceed those budgeted for the 1992 marketing year. Finally, Article 13 (c) refers to export subsidies (this issue is taken up below).

³⁰ A tariff-rate quota includes two components: a quota up to some defined quantity (that still may pay a tariff), and a high tariff for imports above that quantity. It differs from a common quota that has only the first component, while under a TRQ there may be imports above that quantity but paying the higher out-of-quota tariffs. In practice these tariffs are very high so no additional imports usually take place. However, as tariffs are reduced in successive negotiations, the quota component of a TRQ may become less binding and tariffs then become the main trade instrument, as was the intent of the tariffication process.

to guarantee current access and minimum access.³¹ Also there was an exception for the tariffication of sensitive products under strictly defined conditions (Annex 5³²). Article 15.2 allows developing countries to implement reduction commitments over a period of up to 10 years, and exempts Least-Developed Countries from any reduction commitment.

The Uruguay Round also clarified the rules for “safeguards”, the trade constraints that a country can use to protect any productive sector when it is threatened by an unexpected surge in imports that can cause injury to that sector (Agreement on Safeguards of the WTO). But, as in other areas, an exception was created for agricultural products: a “special safeguard” that could be invoked by countries that complied with the tariffication of previous non-tariff barriers in specific products, and it had to be designated for those products.³³ This trade remedy is different from the normal safeguard of Article XIX of the General Agreement. The latter requires proof of injury to the domestic producers from imports and the granting of compensation, i.e., opportunities for market access in other products that are equivalent in trade value to the trade reduced due to the safeguard. The “special safeguard” for agriculture, however, does not require either proof of injury or compensation; it allows the application of additional duties based on a price trigger, i.e., if shipments at prices denominated in domestic currencies fall below a certain reference level, or a quantity trigger, i.e., if imports surge above certain quantities and relating those amounts to domestic consumption.

In current negotiations, developing countries suggested different SDT proposals related to market access. A broad exemption has been already discussed under general flexibilities, in the form of a “positive list” of products (G/AG/NG/W/13, June 2000 by 11 developing countries) declared by a country to be subject to AoA commitments (while those not mentioned would be excluded). Other developing countries have linked further reductions in their own tariffs to reduction or elimination of distortions in international markets, due to protection and subsidies in industrialized countries (G/AG/NG/W/102 January 2001 by India). Also, several developing countries indicated that future tariff reductions should be based on final bound rates, and not on applied ones (see for instance G/AG/NG/W/142, March 2001, African Group)

Other specific SDT provisions include:

- (i) developing country members should be exempt from any obligation to provide any minimum market access (G/AG/NG/W/102 January 2001, India);

³¹ Where there were no significant imports, minimum access opportunities had to be offered, beginning in the first year of the implementation period with not less than 3% of corresponding domestic consumption in the base period, and expanded to reach 5% of that base figure by the end of the implementation period.

³² Annex 5 Section A applies mostly to developed countries, and Section B, exempts developing countries from the obligation of “tariffication” in the case of “a primary agricultural product that is the predominant staple in the traditional diet,” if a series of conditions are met.

³³ A total of 39 countries have established Special Safeguards (SSG) for about 6156 tariff items; about 60% of the tariff items belong to industrialized countries, with the rest invoked by developing countries and economies from the former Soviet block (WTO, backgrounder 2002). Developing countries, by and large, resorted to binding commitments as an alternative to the tariff equivalent of the existing border measures, and therefore could not invoke the SSG (although, as mentioned, several of the WTO members that can use it are developing countries).

- (ii) (ii) developing countries should be given the option of maintaining the current level of bound rates on key staples (G/AG/NG/W/142, March 2001, African Group);
- (iii) (iii) longer time frames for phasing in changes than those negotiated during the Uruguay Round, considering that the periods selected then did not necessarily reflect the gap between developing and developed in the time needed to prepare for those changes (Special and Differential Provision, Non-Paper by African Group, Cuba, Dominican Republic, El Salvador, Honduras, Kenya, Pakistan and Sri Lanka, Special Session of the Committee on Agriculture, 4-6 February, 2002); and
- (iv) the possibility of rebalancing low tariff bindings in developing countries, including raising ceiling bindings for similar category of products that were bound during the Uruguay Round (G/AG/NG/W/102 January 2001, India).

Of special interest are two initiatives to streamline both current safeguards (against import surges) and countervailing mechanisms (against subsidized exports). Several countries suggested the need of a separate safeguard, along the lines of the Special Safeguard provisions (Article 5 of AoA), which would be “available to all developing countries irrespective of tariffication in the event of a surge in the imports or decline in prices and to ensure food and livelihood security of their people” (G/AG/NG/W/102 January 2001, India; see also G/AG/NG/W/13, June 2000 by 11 developing countries, and G/AG/NG/W/142, March 2001, African Group). The other proposal refers to the possibility of using a streamlined procedure for countervailing subsidized exports from developed countries, without having to prove injury, as is now the case under the Peace Clause (Special and Differential Treatment for Developing Countries: Transitional Instruments to Expediently Countervail Subsidized Imports (SDCM), Special Session of the Committee on Agriculture. Informal Meeting, 24-26 September 2001, by Argentina, Bolivia, Paraguay, the Philippines and Thailand).

D. Export Subsidies

During the Uruguay Round, export subsidies, in general, were considered in greater detail in the Agreement on Subsidies and Countervailing Measures (ASCM), building on a previous agreement that had been approved during the Tokyo Round. The WTO ASCM establishes that subsidies that are contingent, “in law or in fact, whether solely or as one of several other conditions, upon export performance,” as well as those “based on the use of domestic over imported goods,” are prohibited. If one WTO member complains against another, and the latter is found to be using those subsidies, they must be immediately terminated; and if this does not happen within the specified time period, the complaining member can withdraw equivalent trade concessions.

However, for agricultural export subsidies, the treatment in the Uruguay Round was, again, different: those practices were limited but not completely eliminated. WTO members agreed to cut agricultural export subsidies by 36% in value and 21% in quantity over the six-year implementation period compared to the 1986-90 base period level. In the case of developing countries, the reductions are two-thirds those of developed countries over a ten-year period (with no reductions required for the least developed

countries). Another SDT provision is Article 9 paragraph 4, which indicates that developing country are not required to undertake commitments during the implementation period with respect to export subsidies to “reduce the costs of marketing exports of agricultural products” and for “internal transport and freight charges on export shipments,” provided that they “are not applied in a manner that would circumvent reduction commitments.”³⁴ Finally, Article 12 on “Disciplines on Export Prohibitions and Restrictions” in paragraph 1 imposes certain conditions for Member countries that want to institute “any new export prohibition or restriction on foodstuff,” but in paragraph 2 exempts “any developing country Member, unless the measure is taken by a developing country Member which is a net-food exporter of the specific foodstuff concerned.”

Compared to export subsidies for other products, which, as indicated, were prohibited and had to be eliminated if shown to exist, agricultural export subsidies, if they are within the limits considered in the schedules of the AoA, receive a less drastic treatment: they can be subject to countervailing duties only “upon a determination of injury or threat thereof,” and “due restraint shall be shown in initiating any countervailing duty investigations”; and they are exempted from other possible countermeasures based on nullification or impairment of concessions and/or serious prejudice (Article 13c, the “Peace Clause”).

In the current negotiations, developing countries have proposed ways to deal with export subsidies from developed countries, in a more expeditious way and without the restraints of the Peace Clause (see the paper by Argentina, Bolivia, Paraguay, Philippines, and Thailand presented a proposal during the informal meeting of the Committee o Agriculture of 24-26 September 2001, on "Transitional Instruments to Expeditiously Countervail Subsidized Imports (SDCM)"). According to this proposal developing countries will be entitled to apply a countervailing measure on a simplified procedure to exports of products originating in developed countries without the need to prove either injury or a causal link between the subsidized import and injury. This measure would only be applied by developing countries to exports of products originating in developed countries that use or are entitled to use trade distortive domestic subsidies or export subsidies. All trade distorting domestic subsidies , including the AMS, the "de minimis", and those under article 6.5 of the AoA will be deemed, under a rebuttable presumption, to be trade distorting and specific. Subsidies falling under policy specific criteria and conditions enumerated in Annex II of the AoA other than a) direct payments to producers, b) decoupled income support, and c) government financial participation in income insurance and income safety-net programs (respectively, numerals 5, 6, and 7 of Annex II), will be exempted from the trade-distorting rebuttable presumption. The investigation indicated in Article 11 of the Agreement on Subsidies and Countervailing Measures will only need to establish the existence of a trade distorting domestic subsidy or export subsidy. Developed members that according to the their country schedules are entitled to apply export subsidies, trade distorting domestic subsidies, including the de minimis, those under article 6.5, and/or those under numerals 5, 6, and 7 of Annex II (mentioned above), or that provide non-product specific domestic support will be deemed under, a rebuttable presumption, to be subsidizing the product to be countervailed. The proposal indicates that those provisions will be transitional, remaining in force for the

³⁴ Those two types of subsidies are mentioned in Article 9 paragraphs 1(d) and (e) as part of the list of export subsidies that must be reduced in budgetary and quantity terms.

duration of the reform process while developed members remain entitled to use trade distorting domestic subsidies or export subsidies.

At the same time, some developing countries have proposed: (i) the continuation of existing flexibility with respect to export subsidies in Article 9.4 (G/AG/NG/W/55, November 2000, ASEAN and G/AG/NG/W/102, January 2001, India), and (ii) allowing the SDT given by Article 27 and Annex 7 of the Agreement on Subsidies and Countervailing Measures (ASCM) to Least Developed Countries and to a group of developing countries (provided they do not reach GNP per capita of 1000 dollars per year), which exempts them from the prohibition of using subsidies that are contingent upon export performance (Article 3.1.a. of the ASCM) (G/AG/NG/W/102, January 2001, India, and G/AG/NG/W/107/Rev.1, March 2001, by Egypt).

E. Other Issues and Concerns Regarding the SDT proposals in the DB/FSB

Several of the proposals mentioned above came from Least Developed Countries, other low-income countries, and/or developing countries that are net food importers. Other developing countries, mostly those that are part of the Cairns Group, along with other WTO members, raised concerns about the notions of the Development/Food Security Boxes (WTO background paper on the negotiations). Although the need for special and differential treatment for developing countries is widely recognized, some WTO members have argued that pushing too far some of the ideas presented within those special Boxes, would create more distorted markets, going in the opposite direction of the objective of the negotiations, and will end up hurting trading relations among developing countries (whose share in total agricultural trade has been growing over time; see WTO Secretariat paper G/AG/NG/S/6). In addition to the possible content of the boxes, there have also been discussions about their potential users, i.e. what are the countries that may be allowed to use the measures included in the Development/Food Security Boxes. In general, developing countries have opposed extending those exceptions, such as the ones based on food security, to developed countries, even when couched in terms of the multifunctionality of agriculture (see for instance India, G/AG/NG/W/102). Within the developing countries some have argued that if a Development Box is created it should apply equally to all developing countries, while others maintain that the issue of the possible users of the boxes should be part of the negotiation (WTO background paper on the negotiations, 2002).

II.2 Proposals Regarding Policies of Developed Countries (“offense”)

Although the notion of a DB/FSB strictly speaking, covered in the previous sections, is mostly defensive and relates to SDT for developing countries, some proposals have also included requests of changes in the policies of the developed countries under the notion of an expanded Development Box, or simply by emphasizing the need of having a true “development round.” In this regard developing countries have been far more unified in what they see as the needed adjustments in the agricultural and trade policies of industrialized countries.

The use of *export subsidies* has been widely criticized as unfair and disruptive of international trade. Therefore many countries in the current negotiations argue that the

special treatment of agricultural export subsidies should be eliminated, scraping the Peace Clause (Article 13) and placing them under the Agreement on Subsidies and Countervailing Measures (see among others India, G/AG/NG/W/102).

A related subject is the operation of *state trading enterprises*, which may require increasing disciplines and transparency on practices that may be equivalent to subsidies or dumping on the export side, or hidden trade barriers, on the import side (G/AG/NG/W/104 + Corr.1, January 2001, by Argentina, Brazil, Paraguay, Uruguay, Bolivia, Chile and Colombia). It has been also mentioned the importance of integrating in a unified framework the disciplines related to the continuum of transactions involving agricultural products, particularly the interface of export subsidies with food aid and export credits (G/AG/NG/W/142, March 2001, African Group, and G/AG/NG/W/140, March 2001, Jordan).

At the same time, several developing countries have an interest in stricter disciplines on *export taxes and export controls* that may exacerbate price fluctuations in world markets and limit access to food (see for instance Democratic Republic of Congo, G/AG/NG/W/135, March 2001, and G/AG/NG/W/140, March 2001, Jordan).

A second set of issues is the opportunities for expanded *market access*. Developing countries are requesting that industrialized countries reduce tariffs and tariff peaks; eliminate tariff escalation; simplify complex tariff structures that include combinations of normal and ad-valorem tariffs (complexity which is compounded by seasonal adjustments in some cases); increase the volume of imports allowed under the current regime of tariff-rate quotas (TRQs); and administer those TRQ in a more transparent and equitable manner (G/AG/NG/W/142, March 2001, African Group; India, G/AG/NG/W/102, January 2001; Namibia, G/AG/NG/W/143, March 2001; Cairns Group, G/AG/NG/W/54, November 2000)

Another issue of market access is the continuation or not of the *Special Safeguard* (SSG) established in the AoA. Several developing countries are asking that the general SSG be eliminated (G/AG/NG/W/107/Rev.1, March 2001 by Egypt), or that its use be prohibited to developed countries, but at the same time, that the SSG be made available to developing countries (G/AG/NG/W/13, June 2000 by 11 developing countries; G/AG/NG/W/142, March 2001, African Group). In general, the SSG acts as a variable levy, is not transparent, and has the potential of being very disruptive of trade.

Although, in general, there is agreement among developing countries on the policy changes desired from industrialized countries on market access (with some nuances in the case of the SSG), there is an important area of differences: the *treatment of existing special preferences*.³⁵ For example Swaziland (G/AG/NG/W/95, December 2000) has argued that “the current preferential market access arrangements enjoyed by small DCs should be protected under the current round of negotiations for agricultural trade reform. The period of protection should be sufficiently long to enable the small

³⁵ While the issues discussed refer mostly to existing preferences, some proposals also suggest that future market access be granted to low-income countries. For instance, India suggests that although Tariff Rate Quotas (TRQs) must be eventually abolished, in the meantime developed countries should expand them, made their filling mandatory, and allocate them with stricter application of the MFN principle, but “with special preference being given to developing countries having less than \$ 1000 per capita annual income.” (G/AG/NG/W/102, by India)

DCs improve their welfare by significant measurable margins. The margins can be negotiated in the context of the criteria listed above. One important area of the protection being recommended herein is guaranteed market access at guaranteed prices for sensitive products from small DCs over an agreed period of time. The period should be long enough for meaningful development and adjustment to occur.” (Swaziland further elaborates the issue in the Special Session of 3-4 December 2001 in a non-paper entitled “Trade Preferences- a Proposal for Small Developing Countries”; see also Namibia, G/AG/NG/W/143, March 2001).

A third set of issues relates to *domestic support*. Many developing countries feel that industrialized countries have maintained a variety of exemptions for their own policies of domestic support, while they have dismantled or significantly reduced their own domestic support for agricultural producers, mainly because of fiscal constraints and as part of structural adjustment programs supported by financial international organizations and aid donors. In an attempt to discipline further domestic supports, many developing countries have proposed to tighten the criteria for the Green Box, the reduction of the measure of support by product, and the elimination of the exemptions considered under the Blue Box. Another suggestion has been to put a cap to all or a specially defined subset of domestic support measures as a percentage of the total value of agricultural production (see for instance India, G/AG/NG/W/102, January 2001; G/AG/NG/W/14, June 2000, 11 developing countries). This proposal coincides with the US proposal. The argument that a uniform limit defined in percentages would contribute to level the playing field that is now heavily tilted in favor of industrialized countries (which have the legal room under the WTO and the money to distort production and trade in their favor), seems compelling.

II.3 Systemic and Other General Issues

Several developing countries have called for the creation of international financial facilities linked to food security and/or international or regional food emergency stocks. These proposals are linked to concerns about food security, especially regarding LDCs and NFIDCs (for instance, “Food Security Non-Paper at the Special Session of the CoA, Informal Meeting, 23-25 July 2001 Cuba, Dominican Republic, El Salvador, Honduras, Kenya, Nicaragua, Nigeria, Pakistan, Peru, Sri Lanka, Venezuela, and Zimbabwe).³⁶

Other developing countries are concerned with the long-term decline in prices of commodities, and consider that during the WTO negotiations this issue should be addressed. Some of them have argued that Article XX of GATT lists international commodity agreements as a legitimate exception to normal MFN treatment, thus granting flexibility to Members to participate in those agreements (Article XX h), and that Article XXXVI paragraph 4 of GATT explicitly considers the problems of developing countries depending “on the exportation of a limited range of primary products,” the need to provide “more favorable and acceptable conditions of access toward markets for these products,” and that “wherever appropriate to devise measures designed to stabilize and improve conditions of world markets in these products including measures designed to

³⁶ Not only developing countries have asked for international food security stocks. Also Japan also presented a proposal for international food stockholding (“A new Framework for international food stockholding, Special Session, 23-25 July, 2001, and “A possible framework of International Food Stockholding” Special Session, 3-4 December, 2001)

attain stable equitable and remunerative prices” (Special Session of the Committee on Agriculture. Informal Meeting, 4-6 February 2002 Proposal on Trade in Agricultural Commodities and the Concerns of Single Commodity Exporters (SCEs). Communication from Zimbabwe on behalf of all the Africa Group)

Related, or in parallel, to the issue of the decline in prices, several developing countries have asked for rules, possibly similar to those applicable to state trading enterprises, that also apply to private multinational companies with market power in agriculture markets. For instance, Nigeria, under “Disciplines on International Market Structure and Competition in Agriculture” argues that the AoA objectives of addressing “distortions in world agricultural markets while taking into account non-trade concerns, including food security.... can be realized unless the role of multinationals in these markets could be better understood and regulated.” The suggestions include that the “questionnaire approach for state trading enterprises may be expanded to include multinational companies, with a requirement for notification of relevant information; ... the WTO Secretariat should also review these companies as part of the Trade Policy Review process of Member countries; ... FAO and/or UNCTAD should establish data banks containing comprehensive information on the major players in the world food system.” (G/AG/NG/W/130, February 2001, by Nigeria; see also Special Session of the Committee on Agriculture. Informal Meeting, 4-6 February 2002 Proposal on Trade in Agricultural Commodities and the Concerns of Single Commodity Exporters (SCEs). Communication from Zimbabwe on behalf of all the Africa Group).

Another important issue mentioned by several developing countries in the negotiations has been food aid. A general concern is the provision of adequate levels of food aid, which have declined in recent years, and the avoidance of cycles that tend to reinforce, instead of counteract, situations of oversupply and shortages (i.e. the fact that there is excess of food aid when world supplies are abundant and prices low, and lack of it when supply conditions are tight and prices high). Therefore different proposals emphasized the importance of binding obligations on food aid and that those obligations be made counter-cyclical (i.e. they should increase in periods of high prices) (Special Session of the Committee on Agriculture. Informal Meeting, 3-4 December 2002. Food Aid. Non-paper, by Cuba, Egypt, Grenada, Mauritius, Nigeria, Sri Lanka, and Uganda). Several developing countries also asked that food aid should be made available in grant form; perhaps sourced from other developing countries; focused towards poor countries and social groups; and delivered in ways that do not displace domestic production in the receiving countries (G/AG/NG/W/142, March 2001, African Group; Food Security. Non-Paper at the Special Session of the Committee on Agriculture. Informal Meeting, 23-25 July 2001 Cuba, Dominican Republic, El Salvador, Honduras, Kenya, Nicaragua, Nigeria, Pakistan, Peru, Sri Lanka, Venezuela, and Zimbabwe; G/AG/NG/W/143, March 2001, Namibia).

Then there are several requests to strengthen, expand, and make binding the commitments, specially under the Ministerial Decision on Measures in Favor of LDCs and NFIDCs, to provide substantially increased technical assistance (including the one needed to meet SPS requirements in importing countries), facilitate access to technology “required to assist the diversification and to build production and processing capacities for agricultural commodities” and “for the development, strengthening and diversification of their production and exports basis,” and, in general, to implement development

schemes to insure that countries “depending on a single commodity can find suitable means of development.” (Special Session of the Committee on Agriculture. Informal Meeting, 4-6 February 2002 Proposal on Trade in Agricultural Commodities and the Concerns of Single Commodity Exporters (SCEs). Communication from Zimbabwe on behalf of all the Africa Group).

ANNEX 2.

Countries

Australia and New Zealand
Japan and Korea
Other Asian developed countries
United States
Canada
European Union
China
Indonesia
Malaysia
Philippines
Thailand
Viet Nam
Bangladesh
India
Sri Lanka
Rest of South Asia
Mexico
Central America and Caribbean
Colombia
Peru
Venezuela
Rest of Andean Pact
Argentina
Brazil
Chile
Uruguay
Rest of South America
Hungary
Poland
East European countries that join EC
Former Soviet Union
Turkey
Rest of Middle East
Morocco
Rest of North Africa
Botswana
Rest of SACU
Malawi
Mozambique
Tanzania United Republic of
Zambia
Zimbabwe
Rest of southern Africa
Uganda

Rest of sub-Saharan Africa

Rest of world

Products

Paddy rice
Wheat
Cereal grains nec
Vegetables, fruit, nuts
Oil seeds
Sugar cane, sugar beet
Plant-based fibers
Crops nec
Bovine cattle, sheep and goats, horses
Animal products nec
Raw milk
Wool, silk
Forestry
Fishing
Bovine meat products
Meat products nec
Vegetable oils and fats
Dairy products
Processed rice
Sugar
Food products nec
Beverages and tobacco products
Coal, Oil, Gas
Minerals nec
Textiles
Wearing apparel
Leather products
Wood and Paper
Petroleum, coal products
Chemical, rubber, plastic products
Mineral and metal products
Motor vehicles and parts
Transport equipment nec
Electronic equipment
Machinery and equipment nec
Utilities
Construction
Services
Government