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Turbulence in Agriculture: Is a Win-Win Possible for Developed and Developing Countries?

Keynote Address

Luzius Wasescha, Ambassador, Permanent Mission of Switzerland to the WTO and EFTA, Switzerland

Chair:Tim Sebastian, Chairman, Doha Debates, UK

Ambassador Luzius Wasescha described the major challenge in trade talks on agriculture as finding a way to make a deal for uncompetitive farmers, on the one hand, and very competitive industries on the other. The 2001 Doha Declaration is "a masterpiece of constructive ambiguity" that covers the three major approaches: The US agriculturalists want open market access. Japan and Europe want an agreement that has balancing clauses in other areas. Some developing countries, India especially, said they do not want a new round. The transition period of the previous agreement was still running.

Since then most of trade in goods has shifted to developing countries, but what is a developing country -- Taiwan, Brazil, India? The proposed text is difficult to fill with anything more than "nice words" because of the problems of finding a way to cover all these differing situations. In reality, most deals will enable the strong to become stronger and kill the hopes of the weaker, because the major exporters are looking for big markets. Even if Japan opened its rice market, it would not buy from the US but from Vietnam, China or Indonesia.

In another example of exporters looking for big markets, he noted that in pharmaceuticals, 50% of the market is in the US, 20% in Europe and 20% in Japan. The industry is not interested in the remaining 10%.

Changing balance of trade

Indications that the US will make a major contribution on non-agricultural market access (NAMA) means that negotiators will probably not be able to complete the Doha Round this year, he pointed out. But among developing countries the situation has changed. Rising agricultural prices have enabled developing countries to earn more from farm exports without a new agreement. Meanwhile the US is becoming less competitive in agricultural exports. For example, the US had 85% of the Swiss asparagus market but was pressing for more market access. Today the asparagus comes from Mexico – a US investment but from Mexico. Similarly, in fruit juices, today Switzerland buys most of its juice from Brazil.

Looking forward, Ambassador Wasescha predicted the issue of food security will become much more important than in the past 20 years. "Then we come to the very difficult question: can we destroy food products for energy when people are starving?"

He also predicted that WTO representatives might negotiate a "substantive" harmonization pact on rules of origin. Currently average tariffs for entry into the EU are 2-6% for industrial products. For exporters it is often cheaper to pay this tariff than try to prove the origin according to current rules. But when business realizes the complications they might come back to Geneva to demand harmonized rules.

Asked about WTO and pressures to make rules on food aid, the Swiss Ambassador said the question to settle is "if a food aid programme is linked to export surpluses, is it not a hidden subsidy?"

An African woman from a small landlocked nation, like Switzerland, pointed out that her country had been unable to cover its food needs for 15 years and had to import. Could it get a special exemption? Wasescha said there are possibilities, but the country should not leave it to the last minute to indicate what it wants to put on the schedule.

Asked about the impact of SPS standards on developing country exporters, Wasescha replied: "If you have a product, do you want to export to a country where the mentality is zero risk? The Doha Round will not find an answer to this question. The zero-risk countries kept it off the agenda."

The moderator Tim Sebastian asked whether he agreed that the difference between the Mafia and WTO is that the Mafia makes you an offer you can't refuse and the WTO makes you an offer you can't understand. "There is in any wrong comparison, a little element of truth," suggested Wasescha.

The Doha ambiguities worried a Caribbean representative. He asked whether the negotiators are not making the same mistake as in the Uruguay Round. "We cannot move forward if the same rule applies to China and to Togo." Countries need to be ready to discuss ways of bringing coherence to the international system. Development is one part of the Doha Round but it is not all. The small and developing countries are aware that they are "dominated by a certain number of elephants," he hoped. Switzerland had a saying: "You can't stop an elephant. You may be able to ride it."