WHY IT WON'T BE LIKE THIS ALL THE TIME: THE SHIFT FROM DUOPOLY TO OLIGOPOLY IN AGRICULTURAL TRADE

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Abstract:

Agricultural trade remains highly politicised and securing agreement on further change is one of the most critical and difficult tasks in the Doha Round. There has been a shift from a EU-US power duopoly in the Uruguay Round to an oligopolistic form of decision-making that incorporates the G-20 representing emerging countries. Market access has been the most difficult issue to resolve and internal opposition to a settlement is growing in the US and EU. Nevertheless, a settlement is still achievable, but not at Hong Kong.

Keywords: Trade, Agriculture, Doha, WTO, EU, United States, G20, Brazil, Australia, India

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Please use this paper as a teaching resource if you wish. Although the analysis and conclusions are tentative, you may quote from it if you wish. This version covers events up to 1 November 2005: the story continues to unfold.

Ever since it was effectively brought back within the scope of international trade negotiations in the Uruguay Round, agricultural trade has been one of the major obstacles to securing a fair and effective international trade agreement. As Peter Mandelson, the EU trade commissioner, has commented agriculture has proved to be the 'most complex, challenging and most politically charged' part of the Doha Round discussions. (*Agra Europe,* 23 September 2005: EP/6). The fundamental reason is that agricultural trade is highly politicised because of the high levels of domestic support still provided for agriculture in most countries.[1] This in turn means rent seeking coalitions cluster round agricultural politics which a strong attachment to preserving the status quo or at least disturbing it as little as possible. It seems that the first thought of any farmer when a new product opportunity comes along, e.g., biofuels, is 'can I get a tax break or a subsidy?' One recalls the concluding line in Van Morrison's elegy/song *Coney Island*, adopted as a motto by hard line Ulster Protestants, but equally applicable to the agricultural policy community: 'wouldn't it be great if it was like this all the time?' (Rogan, 2005) Well, it won't be, because agricultural privileges are gradually being eroded, and the most important factor is the liberalisation of farm trade.

The farmers themselves, particularly the large-scale farmers who enjoy economic muscle and political clout, are highly prominent in these rent seeking coalitions. The farm vote has not completely disappeared in significance as Wilson has shown in relation to close Senate races in the United States. (Wilson, 2005: 75) However, it is important not to overlook the other beneficiaries of systems of farming support. In terms of farm outputs, the food processing industry can benefit substantially from some aspects of the provision of agricultural subsidies. Even more important are the various input industries, generally dominated by multinational companies, which

provide inputs to farmers: fertilisers and pesticides; machinery and equipment; veterinary medicine; and, often overlooked, finance.

The general perspective adopted in this paper belongs to what Phillips (2005: 34) has identified as a 'fourth wave' of globalization studies that seeks to avoid both the excessive pessimism and excessive optimism of earlier analyses. In particular:

> [It] is concerned with how to achieve a more socially equitable globalization and harness its potential benefits, and indeed deploy globalization itself as a means to achieve social justice. (Phillips, 2005: 35)

Consider what this means in the particular context of the Common Agricultural Policy (CAP) of the European Union (EU). It is generally recognised that the CAP is socially inequitable in many respects:

- Most of its benefits go to prosperous, large-scale farmers, involving a transfer from often less well off taxpayers
- Food prices within the EU are higher than they would be in its absence and this particularly impinges on lower income groups for whom food is a larger part of their budget
- It disadvantages least developed countries. The EU is continuing to spend more on the CAP than some developing countries' entire annual GDP.
- It has encouraged intensive forms of farming that damage the environment
- It is prone to fraud with criminal organisations being among the beneficiaries

We do not start with a blank sheet of paper and abolishing the CAP would put many farmers out of business to the extent that the world supply-demand balance would change and food prices could well rise. Any scheme for replacing the CAP has to involve its gradual phasing out and reorientation, ideally by a farmers' bond scheme. (See Swinbank and Tranter 2004). Pressures from agricultural trade

negotiations have arguably been the most effective force for change in the CAP, particularly in the way in which they have been used by reformist elements within the Commission, e.g., the MacSharry and Fischler reforms. In this sense, globalisation pressures have helped to advance social justice.

One of the key issues in the Doha Round agricultural trade negotiations is the extent to which the EU-US duopoly that dominated farm trade talks in the Uruguay Round has been displaced by a more multilateral type of negotiation. (Grant 2004). Hence, the first section of the paper sets out the key coalitions and groupings that have emerged in the Doha Round. The next section then sets out the main developments in the negotiations since Cancún. This discussion provides a way of introducing the main themes in the negotiations which are centred on the three pillars of import protection, domestic support and export subsidies. The specific issues are then discussed in more depth, with a particular emphasis on the question of market access which has proved particularly difficult to resolve. The paper then concludes with an assessment of prospects for a fair and effective settlement in the agricultural trade talks in the Doha Round. Although the approach adopted in this paper is necessarily a sectoral one, it is important that agriculture is considered within the wider context of the Doha round negotiations. As farm commissioner Mariann Fischer Boel has commented, 'Hong Kong cannot just be about agriculture.' (*Agra Europe,* 26 August 2005: EP/2).

Coalition formation

Narlikar (2003: 177) has drawn attention to the 'spaghetti bowl of coalition activity' that occurs in trade rounds. Many of these informal arrangements undergo a series of bewildering metamorphoses. For example, the Jamarillo process in the Uruguay Round subsequently became the G-20, the Café au Lait and then the G-48. (Narlikar,

2003: 96). Although Narlikar argues (2003: 178) that 'coalitions … have begun to change from the secret societies of GATT days to more publicly prominent ones' it is not easy to trace all the informal groupings that occur, but it is hoped that the principal ones are identified here.

The stylised facts about the agricultural trade agreement in the Uruguay Round are that it was largely a mutual adjustment of their respective interests by the US and the EU with some side payments to other countries (e.g., Japan and Korea on rice) and some token concessions to developing countries. This was exemplified in the Blair House agreement between the EU and the US, although it was subsequently necessary to 'clarify' this agreement in Blair House 2/Breydel to meet the particular objections of France.

It would be very easy to come to the conclusion that the EU-US decision-making duopoly no longer matters, but such a judgement would be hasty and premature. It may be more constrained than it was before, and there will certainly be nothing as blatant as a Blair House deal in the Doha Round. The EU-US joint position on agriculture arrived at in August 2003 failed according to then US Trade Representative Robert Zoellick in part because other countries 'thought it was Blair House all over again.' (*Agra Europe*, March 5 2004: EP/5). He also thought that not enough time had been allowed between the announcement of the position and the Cancún meeting for other countries to offer feedback and criticism. However, the fact that there is more suspicion of EU-US joint initiatives does not mean that this axis of protection no longer matters. Indeed, the EU and the US have been criticised for not taking sufficient steps to try and resolve the agricultural issues which are seen as one of the major obstacles to a successful conclusion of the Doha Round.

As part of the push for a deal at Hong Kong, farm commissioner Boel visited Washington DC for three days in September 2005 and touched all the key power bases in the American capital. She met with USTR Rob Portman, US Agriculture Secretary Mike Johanns, as well as with key politicians on Capitol Hill and Bob Stallman, president of the American Farm Bureau Federation. One consequence of these discussions was a mini revolt by a number of EU member states, with Spain the most vociferous, at the September Agriculture Council with accusations that the EU had 'sold out' to the United States. Commissioner Fischer Boel retorted that she was not running a gift shop. (*Agra Europe,* 23 September 2005: EP/3). In any event the bilateral Washington talks seemed to have paved the way for discussions between trade ministers from the key negotiating economies in Paris in late September.

The biggest change in the negotiating map in the Doha Round has been the emergence of the G-20 led by countries such as Brazil, China, India and South Africa.[2] In part this reflects the increasing displacement of emerging countries in the global economy. This particular grouping may be fitted into Narlikar's framework in terms of what she describes as a 'type 1' coalition. 'These newer coalitions are confined to smaller groups of developing countries. Rather than attempt to restrict themselves to a single issue … these blocs evolve common positions in different issue areas.' (Narlikar, 2003: 201). Such groups benefit from log rolling that is not indiscriminate given that membership is restricted to a subset of countries sharing common problems or interests. 'When the large diversified developing countries are involved … the bloc in turn enjoys considerable bargaining power and is able to trade concessions across issue areas that can help in facilitating agreement.' (Narlikar, 2003: 538). Although such blocs may initially be prone to inflexibility, Narlikar

suggests that a learning curve may lead this tendency to be overcome by a greater attention to strategy choice and the process of negotiation.

There are significant tensions within the G-20, in particular between its export oriented members such as Brazil and Argentina and those more concerned with protection such as India. Countries such as India and China have to think about how agricultural liberalisation would impact on their millions of peasant farmers, while Brazil is eager to exploit its comparative advantage in agricultural exports. It is also important not to fall into the trap of thinking that G-20 can necessarily speak on behalf of developing countries more generally, especially least developed countries. Although the group does include a few relatively impoverished countries, its leadership comes from countries like Brazil that would benefit from a substantial liberalisation of agricultural trade. For example, if one takes the sugar issue, Brazil would be a very successful exporter of sugar in a regime that maximised free market access. Such a regime would harm poor sugar exporters such as Jamaica and Mauritius who benefit considerably from their protected access to the EU market.

The emergence of the G-20 also raises questions about the role of the Australian-led Cairns Group of agricultural exporting countries (although the presence of Canada in the grouping has been a source of some tension given its advocacy of a somewhat protectionist agricultural trade agenda).[3] The eight developing country members of the Cairns Group are also members of G-20. The Cairns Group did not play its cards particularly well during the Uruguay Round negotiations, eventually being marginalised because of its hard line position. Since the emergence of the G-20, the Cairns Group has been somewhat undermined and the two groups met in February 2004 to collaborate more closely and come up with a new negotiating position.

G-20 has placed a particular emphasis on the question of domestic subsidies in agricultural production, calling for large decreases in Blue and Amber Box support, as well as the elimination of all export subsidies. All of that is quite acceptable to Cairns Group members, but the real tension between the groups is over the really difficult question of market access. Developed countries such as Australia want substantially increased marketing openings in both developed and developing country markets. Countries such as India, Pakistan and South Africa also want substantial improvements in market access in developed countries, but are not prepared to offer substantial improvements in access to their own domestic markets.

The communiqué from the February 2004 meeting got round these difficulties by agreeing on ambitious cuts in domestic support and the elimination of all export subsidies, arguing that this would 'permit a more ambitious outcome on the market access pillar by developing countries.' It thus evades the more difficult question of access *to* developing countries. What is perhaps more significant is a hint that G-20 might agree to the EU proposal that major exporting developing countries such as Brazil, should be granted less 'special and differential' treatment than other developing countries. (*Agra Europe,* March 5 2004: A/2).

The G-10 bloc of protectionist countries, led by Japan and Switzerland, was somewhat overlooked in the aftermath of Cancún, but it has assumed a greater importance, given the centrality of market access issues in the negotiations (for a particular example of their influence see the discussion of the Oshima text below). It is often seen as an ally of the EU with some of its members in the European Economic Area and also supportive of EU efforts to set up a 'multifunctionality club' to build support for a wider public goods argument for agricultural subsidies. However, on market access G-10 has tended to take an even harder line than the EU

and has been portrayed as an obstacle to the successful completion of negotiations. The tariff plans presented in October 2005 were considered to be too extreme by the G-10 group with Switzerland's economy minister Joseph Deiss claiming that the cuts called for by the US would 'wipe agriculture out of our landscapes.' (*Agra Europe,* 14 October 2005: EP/4). G-10 also takes the hardest line of any grouping on tariffs for so-called 'sensitive products' (discussed later).

The members of G-10 are principally OECD countries, but Mauritius is a member.[4] It was Mauritius that hosted in 2004 a meeting of the G-90 group of developing countries which includes in its membership the African, Caribbean and Pacific Countries and the 50 least developed countries. There is a clear difference of interest between developing countries that export farm products and poorer, food importing countries and it is possible for developed countries to exploit these differences so as to pursue a 'divide and rule' strategy. It is interesting that in the run up to Cancún a group of smaller developing countries circulated a text that was modelled on the EU-US joint agreement.[5]

With all these groupings, some mechanism has had to be found in order to broker agreement and that has emerged in the form of the New Quad, the Group of Five (or 'five interested parties'/FIPS) and the 'Quint'. Of these FIPS is arguably the key group. It will be recalled that the old 'Quad' (US, EU, Canada, Japan, in other words the G-7) played an important mediating role in the Uruguay Round. The 'New Quad' is made up of the EU, the US, Brazil (representing emerging countries that are agricultural exporters) and India (representing developing countries anxious to protect their subsistence farmers from competition from cheap imports). The 'five interested parties' is the New Quad plus Australia. The Quint, which last met in Australia in August 2005, is the old Quad plus Australia and thus includes Japan

which has become less important since China displaced Japan as the world's third largest trader.[6] Because of the divergence in the positions of the G-20 and the EU and US it has not been possible to develop enough common ground to facilitate agreement, but it could be an important negotiating forum in the final stages of the negotiations.

An important role is also played by the chairman of the agricultural negotiations. Tim Groser quit in the summer of 2005 to get involved in domestic politics in his native New Zealand and was replaced by his fellow countryman Crawford Falconer:

> There is no doubt that Groser's departure has been a blow to the agricultural negotiating process. In the rarefied atmosphere of international trade negotiations, building good relations between key personnel is vitally important, and Groser was universally admired in Geneva as a fair and effective operator. (*Agra Europe,* September 9 2005: A/1).

The development of negotiations

The EU-US trade pact

This did not have the desired impact on the negotiations in Cancún, but it isstill worth looking at as a guide to those issues that divide the EU and US and those where they can find agreement. The document was short on numbers and references to specific products, but this was a deliberate tactic as it was felt that the earlier Harbinson[7] draft on negotiation 'modalities' was too detailed and allowed too little room for negotiation. The EU and US also agreed to put to one side for the time being the most difficult issues between them including the question of the peace clause which protects subsidies from legal challenge at the WTO, the implementation period of any deal and Geographical Indications. (GIs)

The basis of the compromise between the EU and US was that the EU, having reformed the CAP could give ground on trade-distorting domestic support, while the Americans would give ground on market access. The 'Amber Box' containing the most trade-distorting forms of domestic subsidy would be substantially cut in size. The 'de minimis' mechanism, which excludes subsidies from WTO disciplines if they amount to less than five per cent of the total value of output (a device made some use of by the US) would also be curtailed. As far as the 'Blue Box', which was created by the US and EU to facilitate a Uruguay Round deal, was concerned, the subsidies that could be put in the box would be capped at five per cent of total farm production in each WTO state. The proposals on market access were complex and particularly vague, a fact that attracted criticism from Australia. However, it was agreed that both the EU's export refunds and US export credits would be eliminated but only for an unavailable list of exports to developing countries. This EU-US paper was seen as an attempt to impose a settlement on the Cancún talks and drew a response from a thirteen member group led by Brazil, Argentina, India and China, in effect a nascent G-20 grouping.

The Derbez text

As is well known, the Cancún negotiations failed, although largely because of a conflict over so-called 'new' issues in the Doha Round such as investment, competition and public procurement. The compromise text produced by Mexican foreign minister Luis Ernesto Derbez has no formal status as it was never adopted, but it is taken seriously by participants in the negotiations as a survey of the issues and possible means of resolving them, although it says little on the subject of cotton which was a high profile issue at Cancún.

On domestic support, the text calls for substantial reductions to be made with members having the higher support making greater efforts. In particular, Blue Box supports would be capped at 5 per cent of the value of agricultural production, as proposed by the US-EU framework agreement, but would then be reduced further. This rang alarm bells in the EU as even after the last CAP reforms it will have to place a number of aid payments in the Blue Box.

What was even more alarming for the EU was the suggestion that green box criteria should 'be reviewed with a view to ensuring that Green Box measures have no, or at most minimal, trade-distorting effects on production.' (*Agra Europe,* 19 September 2003: EP/4). How the word 'minimal' is used in relation to the Green Box has never been properly explained. (See Rude 2001: 1015). The problem here is that, as the OECD has argued, almost all agricultural subsidies have some effect on agricultural production (an exception might be a subsidy that required farmers to keep the land 'in good heart' for environmental reasons but not to cultivate it or graze livestock).

Oxfam has expressed the view put forward in a rather nuanced and qualified way in OECD publications in a much clearer way. (Oxfam, 2005). In a report it identifies four main ways in which decoupled subsidies might maintain production at what would otherwise be uneconomic levels:

- The 'wealth effect' where the stream of direct income guaranteed by the subsidy payment increases producers' willingness to produce
- The payments give farmers a sense of security which encourage the taking of productive risks which would be greater than in the absence of the subsidy
- The way in which subsidy schemes are administered encourages farmers to maintain land in production

- The accumulation effect whereby decoupled payments are linked with production-linked payments

Consider a very simplified example of the EU's Single Farm Payment (SFP) in one of the few countries where it is fully decoupled (the UK, Ireland and Luxembourg). Let us suppose that Farmer Giles finds that the SFP covers his fixed costs so that he only has to meet variable costs from growing a crop. He then does not have to make a contribution to fixed costs from his profits from the crop so that a planting that was not viable without the subsidy becomes profitable. The SFP was set by the EU so that it could evade WTO disciplines and that whole strategy would be ruined if its allocation to the Green Box was placed in question (see further discussion below).

In terms of market access, products would be divided into three categories. One category consisting of 'import sensitive' products would face a Uruguay Round style average cut in import tariffs with a minimum cut for each product. A second category would be reduced using the Swiss Formula whereby higher tariffs are reduced fastest, while a third category would become duty free. For tariff peaks beyond an unspecified maximum level, countries must reduce these tariffs to that maximum level or ensure increased market access through Tariff Rate Quotas (TRQs). However, a very limited number of products would be exempted from these provisions, thought to be a reference to Japanese and Korean rice tariffs. Developing countries would have a less strict formula applying to reduction of their tariffs.

Measures on export subsidies would cover export subsidies, export credits, food aid and export state trading enterprises. Export subsidies would be eliminated over time for products 'of particular interest to developing countries.' (*Agra Europe,* 19 September 2003: EP/4). The text also raised the possibility of extending the Peace

Clause which became irrelevant given its expiry on 31 December 2003. The document had little to offer on the difficult issue of GIs on which there was very little consensus.

The emergence of a draft text

Following the disappointments of Cancún, it took some time for progress to be made in resuming negotiations. In January 2004 the Swiss government hosted a 'mini-ministerial' in Davos in January 2004. 'The meeting was "mini" both in terms of length and attendance. Only 19 of the 30 invited governments bothered to send officials to the half-day gathering and only 15 of those sent ministers.' (*Agra Europe,* 30 January 2004: EP/5).

The negotiations were revived by an offer by the EU in May 2004 to abolish all of its agricultural export refunds, subject to parallel concessions on export credits, food aid and state trading enterprises.[8] This offer involved political costs for the EU, provoking a split within the Farm Council and also carrying long-term policy risks for the Union. Without export subsidies, it will be difficult to offload surplus EU production, itself the result of domestic subsidy regimes, on the world market. In any event, the EU's concession on export subsidies was sufficient to kick start the negotiations and allow the WTO to come close to meeting its self-imposed end of July deadline for a draft framework agreement on reducing agricultural subsidies.

The final agreement was concluded in the early hours of 1 August, just missing the 31 July deadline. It was known as the Oshima text as it was formally submitted by the chair of the WTO's General Council, Shotaro Oshima. In fact, however, the text was effectively agreed in a meeting of the five key players in the Doha Round agricultural trade negotiations: the EU, US, Brazil, Australia and India. Perhaps its most innovative feature was a so-called 'down payment' that required all members to

cut the overall level of trade-distorting domestic support by at least 20 per cent of the base level in the first year of the agreement's implementation. Officials were quick to point out that this was equivalent to the entire six-year reduction of domestic subsidies in the Uruguay Round, although as far as the CAP is concerned, the reforms already agreed mean that the EU will have no difficulty in meeting this target. In particular, it should be noted that:

> The EU has succeeded in establishing the important principle that reductions in the Doha Round should use as their starting point the final "bound" levels resulting from the 1995-2001 Uruguay Round reductions – which themselves had offered modest cuts in support relative to the grossly inflated levels of trade-distorting support provided by the EU (and others) in the 1980s and early 1990s ... The basic starting point for reductions in domestic support … will be the EU's Aggregate Measure of Support (AMS) ceiling of €67.159 billion – a vast sum of money which the EU has never even approached in the last 15 years or so. (*Agra Europe,* 13 August 2004: A/1).

The question of de minimis payments was left in the air with reductions to be negotiated. This is not an entirely straightforward issue as developing countries (represented on this issue by Barbados) have argued that for such countries the level should be kept at ten per cent (as against the current five per cent for developed countries). The EU and US have countered that the framework agreement requires reductions in *de minimis* payments for everyone, except payments mainly for subsistence farmers.

Blue Box payments would be capped at 5 per cent of a member's average total value of agricultural production during an unspecified historical period. The

definition of the Blue Box would be changed to allow the counter-cyclical payments introduced in the 2002 Farm Bill to qualify, a useful concession won by the US.

In the face of strong opposition from France, which had had language inserted in the original Doha Round declaration which it thought would protect export subsidies, the EU agreed to phase out all export subsidies by the end of the Doha Round implementation period (the general view is that this will be in 2015 or 2017, allowing a long adjustment period). In return more binding language was inserted in the text to ensure that export subsidy elements within the US's export credit and food aid programmes, and within 'single desk' export selling bodies such as the Canadian Wheat Board (CWB), are also subject to WTO disciplines. However, in a significant concession to Canada, it was agreed that the monopoly selling powers of bodies like the CWB would be the subject of further negotiation. These draft agreements on export subsidies do represent a substantial step forward given the size of the subsidies (almost €4 billion for the EU in 2004) and their damaging impact on farmers in the Global South.

Import tariffs would be reduced in accordance with a 'tiered' formula with higher tariffs being subject to bigger cuts. The crucial issues of the number of bands, the thresholds for defining the bands and the type of tariff reduction in each band were left for further negotiation and these discussions have, not surprisingly, proved to be very difficult. However, the role of a 'tariff cap' (a maximum tariff for each product) was left on the table for further evaluation, i.e., an attempt was made to kick it into the long grass, although it was subsequently revived by the G-20 to the chagrin of Japan.

A significant and potentially difficult innovation was the idea that countries would be able to nominate certain products as 'sensitive'. These products would be subject to less exacting tariff reductions, although there would have to be some

improvement in market access through a combination of tariff cuts and tariff quota increases. This proposal was the subject of some last minute negotiations over a proposal that there would have to be a minimum cut in out-of-quota tariffs on such products. Japan and Switzerland intervened on behalf of the G-10 and were able to exert sufficient pressure to have this particular aspect of the proposal dropped.

The actual language on 'sensitive' products says that countries may 'designate an appropriate number, to be negotiated, of tariff lines to be treated as sensitive.' What the appropriate number should be is itself a highly controversial issue, given that for sensitive one can substitute 'politically sensitive'. This has to be done 'without undermining the overall objective of the tiered approach.' (*Agra Europe,* August 6 2004: EP/4). Given the admission of the Trojan horse of sensitive tariffs to the negotiations, this seems to be more like a hopeful aspiration than an achievable objective. 'This clause has the potential – probably more than any of the others – to derail the whole trade liberalising thrust of the trade negotiations, should the definition of a "sensitive product" be drawn too broadly.' (*Agra Europe,* August 13 2004: A/2).

More generally, the document contained little detail on the size and timing of the agreed cuts, leaving percentages, precise formulae and other so-called 'modalities' still to be negotiated. It sets parameters for the negotiations, but it does not represent a final agreement and the question of market access has proved particularly difficult to resolve.

The October talks

The negotiating atmosphere was not helped when the EU announced at the end of September 2005 that it was 'declassifying' 1.9m tonnes of sugar, i.e., dumping it on the world market. The Brazilian Government was quickly to protest that this could

depress the world sugar price by as 6 per cent and argued in a statement of strangely convoluted wording that this would have a negative impact on the Doha Round negotiations. However, another dispute that might have inflamed the negotiations was shelved when the WTO dispute panel looking at a complaint from the US, Argentina and Canada on the EU's stance on GM products suddenly found in early October that it had scheduling difficulties and would have to postpone its ruling until January 2006. The handling of this potentially difficult issue indicated that the WTO was doing all that it could to facilitate agreement in Hong Kong.

The negotiations were given a new boost when substantial new offers were tabled by the EU and the US at meetings in Zürich and Geneva, followed by a third paper from G-20. The US offer on domestic subsidies was launched with something of a fanfare, including a pronouncement *urbis et orbe* to the world business class in the form of a *Financial Times* article (10 October 2005) by the USTR Rob Portman. The US offer does seem to have at least temporarily put the EU on the back foot and under increased pressure to make an improved offer on market access. As *Agra Europe* remarked (14 October: A/1) these developments remarked the end of the 'shadow-boxing' phase of the agricultural trade talks.

The EU and US proposals were ambitious and more detailed than previous offers, but some difficult issues were left unresolved. Both the main players also faced increased internal opposition. An attempt by France[9] to restrict Peter Mandelson's room for manoeuvre and to water down EU concessions failed after an emergency meeting of the EU Council of foreign ministers, but France indicated that it could derail the talks if further concessions were offered. In the US, Senator Saxby Chambliss, chair of the agriculture committee, warned the US administration not to agree to reduce overall farm spending as a result of a WTO agreement, although that

is exactly what the Bush administration would like (and has unsuccessfully tried to do) in order to reduce the budget deficit.

France mounted a major diplomatic and media offensive in defence of the CAP which it saw as threatened with being dismantled by the American proposals and the acquiescence of the Commission. In particular it wheeled out an avowed moderniser with an IT background, finance minister Thierry Breton, to defend the CAP. He played the food security card in an interview in the *Financial Times* (27 October 2005), arguing that Europe had developed one of the best and safest agricultural systems in the world. At the EU Hampton Court economic summit, President Chirac warned that he would block a Doha Round deal rather than making deep cuts to the EU's farm subsidy regime. (*Financial Times,* 28 October 2005).

On 28th October the EU made a fresh offer on market access with a higher average cut in tariffs across all bands: 60 per cent in the top band; 50 per cent in the 60-90 per cent band; 40 per cent in the 30 to 60 per cent band; and 35 per cent in the lowest band. The Commission claimed that this would mean an average cut of 46 per cent, whereas the US said that it actually amounted to 39 per cent, reflecting the difficulty of agreeing how one calculates the mean for such reductions. The EU tried to counter attack the US, which makes extensive use of 'de minimis' provisions to shield politically expedient subsidies, by calling for a bigger reduction in the 'de minimis' threshold. The proposed reduction would mean that amber box subsidies would be exempted from reduction commitments only if they amounted to less than one per cent of the value of production of any product, compared with five per cent under the current agreement. The EU also made an explicit link with other areas of the negotiations, stating that the proposals were conditional on movement on services and industrial tariffs.

The US gave the new proposals at best a lukewarm reception and was in particular critical of the EU's insistence on maintaining steeper tariffs on 8 per cent of its 'sensitive' imports, identified as beef, poultry, sugar and some fruit and vegetables. However, these loopholes were politically necessary if there was to be any chance of retaining French agreement. The EU's view was that its new proposal was 'a final offer which stretches to the very limits of its negotiating mandate.' (*Agra Europe,* 28 Octover 2005: EP/2).[10]

The issues

Export subsidies are not discussed further here, as there is an agreement in principle to end them, although there will be further arguments about the date by which they have to be phased out (the Anglo-American position is 2010), the timescale for reductions and technical issues related to export credit schemes etc. In particular, the EU's 'push for disciplines on "bogus" food aid shipments might be a tricky one to negotiate.' (*Agra Europe,* September 9 2005: A/2). This became apparent when the heads of the United Nations World Food Programme and the US Agency for International Development argued that food aid should not be scrapped and should not form part of the Doha Round. This is a complex issue that involves judgements about the effectiveness of various forms of aid that cannot be pursued further here. The issues dealt with here in some detail are domestic support; market access; geographical indications; and state trading enterprises.

Domestic support

According to Canadian figures, the EU's bound levels of domestic support represent 41 per cent of the global total, followed by Japan with 19 per cent and the United States 18 per cent. (*Agra Europe,* February 11 2005: EP/1). Canada has therefore argued that the EU should be forced to cut its levels of domestic support for

agriculture by a higher margin than any other polity. The EU accepts that it will have to make the largest cuts in its domestic support ceiling, although the Canadian approach based on absolute levels of support is a departure from the traditional WTO approach of measuring domestic support in relation to the value of agricultural output. This is not simply a technical matter of the best calculation method as it has implications for countries with difficult climates and/or terrains such as Switzerland, Norway and Iceland that provide high levels of support relative to their agricultural output.

As noted above, there is a huge volume of 'water' between the EU's amber box ceiling and its actual level of spending (at least €25 billion) and therefore it is easy for the EU to make concessions on domestic support, provided that the SFPs are deemed eligible for placement in the Green Box. Questions have been raised about that issue by a decision by the WTO's Dispute Settlement Panel against the Green Box status of the US's cotton subsidy programme because recipients of the aid may not produce fruit and vegetables. There is also a question about how the EU's scheme meets the Uruguay Round Paragraph 6 criteria about decoupled support, in particular criterion (d) that the 'amount of such payments in any given year shall not be related, or based on, the factors of production employed in any year after the base period.' As Swinbank and Tranter point out (2005: 54)

> No doubt the EU would dispute our claim, but the insistence that SPS payments are tied to land that is 'maintained in good agricultural and environmental condition … weakens the EU's case. An SPS payment in any year depends upon the amount of land 'farmed' that year.

There is at least the basis of an argument to challenge the Green Box compatibility of the SFPs, but whether such a challenge would be mounted is a

political decision that would be influenced by the state of negotiations in the Doha Round. As Swinbank and Tranter point out (2005: 58), 'If the round can quickly be brought to an amicable solution, we suspect the chances [of a challenge] are slight … If, however, negotiations become protracted and bitter, we would not discount the possibility of a WTO challenge to the green-boxing of the EU's new subsidy mechanism.' It is quite likely that any agreement will include a provision for a future review of Green Box definitions, which could leave a time bomb ticking away under the EU's reformed subsidy regime.

Although the discussion here has focused on the EU, it should be noted that there has been criticism of the US for failing to make clear how far it is prepared to go in terms of cuts in domestic support. There is also an outstanding issue about so-called 'indirect' subsidies in developing countries which operate via the maintenance of high internal prices rather than direct payments. The European Commission takes the view that if developing countries such as India and Brazil were assessed in this way, their total level of trade-distorting support would look much higher than it does at present.

In October 2005 the US offered to cut 'amber box' subsidies, the most distorting type, by 60 per cent and to halve the agreed cap on the less trade distorting 'blue box' subsidies. This would allow the US to retain its controversial counter-cyclical payments (introduced in the 2002 Farm Act) that compensate farmers for low prices. However, they would be limited to $5 billion a year rather than the current $7.6 billion a year. The actual cuts in subsidies would be less than the US offer implies even though they would require a changed Farm Bill. The EU's view was that the offer could not be assessed without commitments to reform and discipline payments such as the counter-cyclical subsidies.

In its counter offer, the EU proposed a 70 per cent cut in amber box domestic support, but this is less generous than it appears as EU amber box spending has never approached the current ceiling. The reforms in place would bring it down to around the proposed new limit of €20.148bn. The US wanted the EU to cut amber box spending by 83 per cent which would necessitate further cuts in EU CAP spending.

Market access

Market access is undoubtedly the most intractable issue in the negotiations and it is important to understand why this is the case. For the agricultural exporting countries this is the key issue in the negotiations so that they can boost markets for their price competitive products whereas for the EU how tariff reductions are implemented 'could make the difference between survival or extinction for many of the EU's less competitive producers.' (*Agra Europe,* January 14 2005: A/2). These uncompetitive producers are often situated in politically sensitive areas, e.g., dairy farmers in Bavaria or Brittany. In the UK dairy farmers, who have been squeezed by falling nominal prices for their produce, have been at the forefront of a wave of militant action, blockading milk processing factories or retailer distribution depots. What appear to be (and are) highly technical issues become very charged politically and this mixture of real technical complexity and political passion is very difficult for even the most skilled negotiator to handle.

Agricultural tariffs average 60 per cent across the OECD area, with most OECD countries having peak tariffs of at least 200 per cent and Japan having a 500 per cent tariff for rice. 'More than 7% of the fixed-rate tariffs currently applied by the EU to protect European agricultural markets against imports are set at an equivalent level of 100% or more'. (*Agra Europe,* July 22 2005: EP/1). Although the highest ad valorem equivalent (AVE) is 407 per cent for chilled skirt of beef, most of the very

high tariffs are in the dairy sector. This is not surprising, given that, despite the introduction of dairy quotas, the EU has a structural surplus of milk and many dairy farmers are both economically marginal and politically vocal. Even so, it is surprising to find water in a number of tariffs, i.e., the applied tariff is higher than the gap between domestic and world prices. 'No fewer than 38 of the 158 [EU] individual tariff lines for dairy products … have returned three-figure values when converted into [AVEs}.' (*Dairy Markets,* 21 July 2005: 1). The highest AVE in the dairy sector is for buttermilk of more than 27 per cent fat (tariff code 04039039) which has an estimated AVE of 264%. There are also very high AVEs for whey and liquid milk, while butter, often produced as a means of using up surplus milk, has AVEs of between 82% and 135%.[11]

A bitter row over the subject of AVEs was difficult to resolve and significantly delayed negotiations on broader market access issues. The framework agreement requires that all specific import tariffs (expressed in so many units of currency per tonne) should be converted into AVEs expressed as a percentage of the consignment value. In fact, calculating a precise conversion formula rather than a fair approximation is very difficult, particularly where imports are conducted within a TRQ framework, tariff preferences or other restrictions, e.g., meats, dairy products and certain processed products such as biscuits. The EU and Switzerland have the most non-ad valorem tariffs, followed by the US, Norway and Bulgaria and thus face particular calculation difficulties. However, the agricultural exporters represented in the Cairns Group and G-20 were concerned 'that if the process were too loosely defined, then the more protectionist-minded countries could have scope for "systematic underestimation"'. (*Agra Europe,* 18 February 2005: EP/4).

At the end of April 2005 a deal on tariff conversions, worked out by the group of five and endorsed by officials from 30 key WTO member states, collapsed at the last minute over what the EU described as a 'fundamental misunderstanding' and the exporter camp presented as the EU reneging on an agreed deal at the last minute. (*Agra Europe,* 22 February 2005: EP/1). The issues at stake were very complex but centred on the discrepancies between the import prices recorded in the WTO's Integrated Database (IDB) and the generally lower prices found in the United Nations' Comtrade database.

The row was resolved early in May 2005 after an intervention by the USTR, Robert Portman, with the EU making a rather politically risky retreat. Admittedly, the EU's interpretation of how a weighting of IDB and Comtrade prices would be applied was accepted, but with the weightings adjusted upwards in favour of the farm exporters as had been originally envisaged.[12] In general lower prices will be used to assess the import value of sensitive products. This means that the percentage equivalent implied by these tariffs will be higher, pushing most of the EU tariff lines into higher tiers which are likely to be subject to more extensive reductions. In making this deal, EU Trade Commissioner, Peter Mandelson, was taking a political risk as more EU tariffs will be reduced by a greater amount than the Commission originally envisaged. As far as the broader picture is concerned, this was encouraging as it demonstrated a willingness on the part of the EU to give ground in order to reach an agreement.

There were three main formulas for tariff reduction on the table:

- The Uruguay Round approach, a simple average rate of tariff reduction with a minimum percentage cut for any one product. This does not have any

advocates, but is an important historical reference point and is used in the 'blended' formula

- The Swiss Formula approach under which the largest tariffs are reduced most rapidly in order to achieve tariff convergence at some point in the future. This formula is supported by the Cairns Group because it would impose bigger cuts on the highest tariffs, thus reducing the gap between low and high tariff products.
- The 'blended' formula advanced by the United States and EU which combines the Uruguay Round formula, the Swiss formula and tariff elimination. This approach meets the US need for substantial cuts in tariffs as well as the EU need for flexibility to shield sensitive sectors. It was included in the Debrez text. However, it is opposed by the G-20, most members of the Cairns Groups and the G-10 because it is not thought to do enough to achieve cuts in high-end tariffs in developed country markets and does not take sufficient account of the needs of fragile farming sectors in poor countries.

The agenda on establishing tiers for tariff reductions has been set by a proposal to group tariffs into five tiers put forward by the G-20 with tariffs reduced at the same rate for all products in each group (as distinct from an Australian proposal which envisaged three tiers but progressively bigger cuts within them). The EU and the US signalled that they were comfortable with the broad outlines of this proposal, although the Commission was subsequently criticised in the Article 133 committee for making too many concessions on market access. The G-20 proposal also envisaged a maximum tariff level for any product of 100 per cent which was not welcomed by Japan. The upshot was that the G-10 blocked any agreement at the end of July 2005 (Canada also argued for a progressive formula for each band).

However, some further progress was made at the Paris discussions between the group of five in September 2005.[13] Considerable secrecy surrounded the talks, in itself a sign that real negotiations were taking place rather than posturing for the benefit of domestic audiences. In particular, it appears that the EU and US put concrete tariff reduction figures on the table based on a tiered approach and also indicated that they would keep the number of sensitive products to a minimum.

The three offers (EU, US, G-20) tabled in October 2005 all embraced a four tier approach. The US proposed cuts in import tariffs of between 55 per cent and 90 per cent, depending on the size of the tariff. With the G-20 taking an intermediate position that involved maximum 75 per cent reductions, the EU proposed a reduction of 50 per cent for very high tariffs. The percentage of sensitive products would be cut from 10 per cent to 8 per cent of tariff lines compared with a US proposal of 1 per cent. This would still leave 180 EU products treated as 'sensitive'. According to US calculations, this would result in an average cut in EU farm tariffs of 24.5 per cent, less than the 36 per cent average agreed in the Uruguay Round. The US made it clear that it thought the EU offer was inadequate. However, implementing the US offer would require, for example, a 25 per cut in the intervention price for butter (*Agra Europe,* 14 October 2005: A/1) which would be a severe blow to a European dairy industry troubled by rising fuel and packaging prices.

Geographical Indications

This is a very important issue for the EU. The EU has seen animal welfare and multifunctionality disappear from the agenda (although the latter is less important if SFPs can be placed within the Green Box). 'But strengthening protection of GIs has remained as a potential "victory" for the EU to soften the blow of ending export subsidies, cutting tariffs and reducing trade-distorting payments for farmers.'

(Josling, 2005: 13-14) This is not just a question of chalking up a win to appease domestic political audiences. GIs are integral to the whole CAP reform strategy of the EU, displacing quantity by quality. In particular, they are seen as offering a means of bolstering the position of marginal farmers, helping them to move into high quality, value added products for niche markets. Indeed, the EU has already 'negotiated bilateral treaties with Australia, Chile and South Africa that mutually protect a number of GIs.' (Josling, 2005: 8)

GIs were covered by the Uruguay Round TRIPS agreement which defines them in Article 22.1 as follows:

> Geographical Indications … identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.

Article 22.2 requires member states to provide legal means to prevent 'the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner that misleads the public as to the geographical origin of the good' as well as any use 'which constitutes an act of unfair competition.' An example would be Parma ham that did not come from the Parma region of Italy. Article 23.4 provides for special protection for wines and spirits, but no agreement has been reached in the negotiations on a multilateral registry. In short, the dispute is between a voluntary system advocated by the US and allies in the Cairns Group plus Japan and a compulsory system advocated by the EU and other European countries such as Switzerland (plus Sri Lanka).

Increased pressure for a resolution of this issue has been brought on the EU and US by the first ever joint coalition of European and American vintners in which the *Comité Interprofessionnel du Vin de Champagne* appears to have played a leading role. Winemakers from the recognised champagne, port and sherry regions in the Europe met in California with their counterparts from the west coast wine producing regions in California, Oregon and Washington, calling themselves the 'coalition of great wine regions'. A joint declaration was drawn up by the Napa Valley Vintners, with an open invitation for other winemakers to sign up later, highlighting the importance of location to wine and the need to protect place names. This perhaps provided an impetus for the EU and the US to reach a wine accord in September 2005 after twenty years of negotiation. However, this deal has to be approved by Congress, its terms disappointed many EU producers and geographical indications will only be debated in the negotiations on the second phase of the agreement which will begin ninety days after the first one comes into force.

One of the difficulties in this area arises from transatlantic differences in the way in which protection is offered. As one would expect in a 'company state', the US bases its protection on trademarks granted to individual firms, although it has also used trade agreements to protect GIs such as Tennessee Whiskey and Bourbon. (Josling, 2005: 8-9). However, trademarks are a subtly different means from GI protection of creating a monopoly over the use of certain terms:

> The difference is that the value of trademarked terms must be created through marketing. GI protection takes a term that already has market recognition and value and limits its use to a small subsection of existing producers, appropriating a value that is currently spread among producers worldwide. (Henning, 2005: A/2)

The temperature of the dispute over GIs was raised by a WTO dispute panel finding that the EU had given insufficient protection to US trademarks, making registration difficult by demanding rights for EU goods in third country markets. The US chose to interpret this as a finding that the EU's system of GIs is illegal. This was a rather broad interpretation of the findings, quite apart from the breach of confidentiality involved. When the final report came out in March 2005 both the EU and US again claimed victory. The tensions in this dispute have been raised by Budejovicky Budvar of the Czech Republic and Annheuser-Busch 'which have for years been locked in a fight to the death over rights to the "Budweiser" and "Bud" beer names' with Budvar claiming that the Budweiser trademark is a German translation of its own GI and hence subject to the GI protection regime. The US brewer saw the WTO ruling as 'an important victory for Annheuser-Busch.' (*Agra Europe,* 23 December 2004: EP/2).

Such commercial wrangles aside, the GI issue does raise difficult questions of principle, policy and procedure which can all too easily lead to entrenched positions being adopted. The question of principle is clearly stated by Josling (2005: 2)

> To some, it is a form of protection for producers in a particular region against competition from new entrants … To others the question is one of giving consumers accurate information on which to make choices.

It also raises fundamental questions about the nature of globalisation and in particular whether cultural globalisation is to be welcomed or resisted. In particular, 'the choice of foods that individuals and communities make, the combinations of foods that they prepare for meals, and the ways in which these foods are prepared are integral parts of culture.' (Coleman, Grant and Josling, 2005: 17). One view is 'that existing levels of protection are adequate and there is little to be gained by impeding

the natural spread of food cultures and habits that accompany movement of people.' (Josling, 2005: 13). Thus, from this perspective, the arrival of Kentucky Fried Chicken in Kunming or the balti pizza in Leamington is seen as a liberating event. An alternative perspective is that the globalisation of foods and food preparation could 'lead to fewer differences between cultures around the world and thus a decline in cultural diversity.' (Coleman, Grant and Josling, 2005: 17).

The GI issue also raises policy questions that are difficult when viewed within a global justice context:

> As with other IP, much of the existing stock is in the hands of the developed countries. A large part of currently protected GIs relate to goods produced in the OECD countries, predominantly in Europe. If protection is primarily to give market advantage to rights-holders then this would represent a regressive transfer. (Josling: 2005, 5-6)

The EU wants the GI protection offered to be wines and spirits to be extended to food on a multilateral basis, although it has indicated that there might be negotiating room on whether any register would be legally enforceable. The food exporting countries see this as another protectionist device dreamt up by the EU. As far as the framework agreement was concerned, the GI question is simply described as an issue of interest not yet agreed. The US, Australia, South Africa and New Zealand and others claim that the GI issue has no place in the framework of the agricultural negotiations and should be dealt within the TRIPS Council. On the other side, some countries, notably Switzerland and Bulgaria, are threatening to derail the entire agricultural negotiation process unless progress is made on the GI issue within the Doha Round. Switzerland has called for the end date for phasing out export subsidies to be the same as the date for extending the protection now given to wines and spirits

to all GIs, a linkage that, if adopted, would considerably reduce the chances of an overall agreement on agricultural trade. Perhaps it is the potentially damaging character of this dispute that has led the EU and the US to privately discuss how it might be resolved. An informant stated, 'I gather there is likely to be an agreement between the EU and the US by Hong Kong.' (Private communication, 8 September 2005).

State trading enterprises (STEs)

Three key issues have arisen in the negotiations in relation to STEs:

- Export subsidies to STEs should be subject to the same limits as ordinary export subsidies
- There should be an end to government financing or refinancing for STEs
- An end to underwriting of losses

Even more sensitive is the core issue of whether the monopoly export powers of STEs (such as the CWB or the New Zealand Dairy Board) should be abolished. (In principle, similar issues are raised by 'single desk exporters' that have been privatised such as the Australian Wheat Board which is now listed on the stock exchange).

The EU and the US complain about the lack of transparency, notably on price transmission, was one of the key problems with such enterprises. Cairns Group states, where most of them are located, counter that there is no evidence to suggest that such enterprises do not operate on a commercial basis and that more information was already available from the STEs than from private trading companies.

In some respects, this is one of those issues that can be used as a counter to extract concessions elsewhere or as part of a divide and rule strategy. 'EU officials privately admit that the Union has few problems with the notion of STEs, but the Commission has been only too pleased to offer support to Washington's campaign

against STEs as a highly convenient way of driving a wedge between the US and Cairns Group.' (*Agra Europe,* 14 May 2004: A/1). Indeed, one view is that 'the STE issue is essentially a bilateral US-Canadian spat which has been dragged into the multilateral arena.' (*Agra Europe,* 9 September 2005: A/2).

Conclusions: from duopoly to oligopoly

The old EU-US power duopoly[14] has been replaced by an oligopoly represented by the 'group of five'. However, the EU and the US are still the most powerful entities within the grouping and indeed there is still an expectation that they will exercise leadership in the negotiations. The EU and the US still engage in a dialogue with each other designed to reach a mutually satisfactory reconciliation of divergent interests and positions. They are still able to extract key concessions on issues such as the treatment of the Amber and Blue Boxes. The G-20 has become an important actor, far more so than the Cairns Group in the Uruguay Round. For example, it played a key and broadly accepted agenda setting role in relation to the issue of tiers in the market access discussions.

The EU has effectively been conducting a strategic managed retreat on key issues such as export subsidies and as long as it maintains such flexibility its stance will contribute to an eventual settlement. However, the Commission is ultimately constrained by member states, as was evident during the Uruguay Round negotiations and there is increasing restiveness that it has given away too much, too quickly. Peter Mandelson has asked rhetorically, 'Could you name a stage in any trade round when France did not express concerns?' (*Financial Times,* 29 October 2005). Nevertheless, French concerns are more than superficial posturing and could easily derail the whole round. The stance of the US is less clear, in part for structural reasons arising from the checks and balances within the US Government and the

debate about the next Farm Bill. The commitment of agri-business interests to trade liberalisation is less unambiguous than it was in the 1990s and other domestic and international issues have a greater priority. This enhances the opportunities for the G-20 to exercise leadership and Brazil in particular has shown sophistication and flexibility, marking its arrival as a great agricultural power. Australia, as effective leader of the Cairns Group, has moved beyond the '"Stone Age" attitudes' (Williamson, 1977: 96) it was once alleged to display in international diplomacy, but sometimes fails to appreciate the benefits of greater tact, less bluntness and an appreciation of where other countries are coming from.[15] The most worrying feature of the negotiations to date is the influence exerted by the G-10 group led by Switzerland which is well resourced, influential and sometimes intransigent.

Some predictions

In conclusion here are some tentative predictions about what is likely to happen:

- There will be an agreement, but not at Hong Kong (there isn't enough time to sort out all the complexities). There is a real risk that 'the Hong Kong ministerial meeting … could … be postponed and the whole Doha agenda thrown into disarray.' (*Agra Europe,* 28 October 2005: EP/2). The worst case scenario could lead to the deepening of fissures within the EU.
- Export subsidies and their equivalents will be phased out by 2017
- There will be sharper reductions for high tariffs and a 100% AVE limit with very limited exceptions (essentially rice tariffs in Korea and Japan). There will be exemptions from the formula adopted for 'sensitive' products
- Permitted domestic support levels will be reduced but not in a way that will seriously trouble the EU and the US

- Cairns Group countries will be allowed to keep their single desk exporters, subject to undertakings on transparency
- 'As one gets closer to the final deals that need to be fashioned, the GI issue will no doubt play a significant role in the balance of advantage that countries will seek from the Round.' (Josling, 2005: 14) What seems likely is 'a face-saving compromise on GIs that serves the EU's political needs without imposing significant burdens on the rest of the world.' (Henning, 2005: A/1).
- Provision for future negotiations will include a review of which subsidies should qualify for Green Box treatment

To return to our original question, will the negotiations lead to greater global social justice? Developing countries will gain more from Doha than from the Uruguay Round because the political balance in the negotiations has changed. However, emerging countries may well gain more than least developed countries, simply because they are better resourced and represented in international trade negotiations. (See Coleman, Grant and Josling. 2004: 176-8). Farmers in Africa will still be locked into global food chains where their produce is at the mercy of the buying decisions of British supermarkets, yet such commercial farmers in a more fortunate position than those engaged in subsistence forms of production. Such phenomena should not surprise us as 'globalization itself is influenced and structured by inequality. In other words, inequality shapes globalization as much as globalization generates and defines the contours of inequality.' (Phillips, 2005: 45). That does not mean, however, that a more socially equitable settlement in the Doha Development Round is not possible.

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[1] The main exceptions are Australia and New Zealand, although Australia provides quite a lot of aid to farmers in the form of drought relief. 'Drought' is a socially constructed phenomenon – there is no generally accepted definition of what constitutes a drought.

[2] The full list of members is Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, El Salvador, Guatemala, India, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, and Venezuela. Originally it was G-22, but Indonesia and El Salvador subsequently left.

[3] The full list of members is Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, and Uruguay. Hungary was a member before it joined the EU.

[4] The other members include Iceland, Mauritius, Norway, South Korea and Taiwan.

[5] The signatories were the Dominican Republic, Honduras, Kenya, Nicaragua, Panama and Sri Lanka. It is interesting that four of these countries are in Central America and the Caribbean, seen as a US sphere of influence.

[6] There was a three year gap since the last full meeting in Japan in 2002, although discussions on agriculture were held by the five in the margins of the UNCTAD summit in Sao Paulo in June 2004.

[7] Stuart Harbinson was then the chair of the WTO Agriculture Committee.

[8] Indeed, the EU was particularly insistent subsequently on food aid, arguing that of a total of $3bn of food aid offered by the US government, $2bn actually stays in the US.

[9] France was initially backed by Austria, Belgium, Cyprus, Finland, France, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Poland and Spain

[10] It should be emphasised that the mandate is not some tablet of stone, but rather a series of statements from the Council between 1999 and 2004 specifying how far the Commission should go in negotiations.

[11] There are wide variations in the AVEs for cheeses. Emmental has one of the highest AVEs at 72.77%. Among blue-veined cheeses Gorgonzola is rated at 46.95% but Roquefort at only 20.47%, the lowest level of any cheese with Brie having the next lowest level at 35.39%. Data from *Dairy Markets,* 21 July 2005: 2.

[12] The weightings will be 82.5/17.5 in favour of Comtrade prices for sensitive products and 60/40 in favour of Comtrade on certain processed goods. The first version of the accord had suggested weightings of 75/25 and 50/50 respectively.

[13] There is some ambiguity about the presence of Australia. *Agra Europe* listed the participants as the EU, US, Brazil and India, the *Financial Times* (22 September 2005) says that Australia joined later.

[14] It may be argued that this is an inappropriate application of the economic theory of duopoly as there are more than two producers of agricultural goods. However, I think that the analogy is appropriate if one thinks of a Cournot duopoly (named after the French economist Antoine Cournot, 1801-77). Essentially this is a strategic game in which two firms (polities) react to each other until they reach a strategic position from which neither would seek to depart. A Nash equilibrium occurs when both firms (polities) are optimising given the behaviour of the other.

[15] I have made these arguments in Australia in relation to its stance in the Uruguay Round and have been accused of 'tipping the bucket' over Australian farmers, but at least the bucket was not tipped over me. Some of the most sophisticated discussions I have ever had about international agricultural policy have been in cafés in small Australian towns or in seminars on remote farms.

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