Rebooting the WTO Doha Round

– A Strategic Review of the Opportunities and Challenges to Move Forward from July 2006 (The "Jakarta Protocol")

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1. Introduction

This management briefing was originally conceived following discussions with pro-free trade government officials in Jakarta, and, importantly, senior managers of businesses in East Asia in 2005, and a number of trade policy studies that have been performed in a range of agricultural sectors; meat, dairy, oilseeds and cereals, in East Asia since 2001.

South East Asia, in particular, is developing into a microcosm of the world's economies. Today, it has advanced developing countries, developing countries and least developed countries in its midst and domestic pressures are bringing about more representative national governments across the region. Tomorrow, two countries, Singapore and Malaysia, will almost certainly enter the ranks of Developed World countries.

The scenarios now seen in South East Asia's agricultural and agribusiness industries are indicative of the range of scenarios seen across the world. These include palm oil, rubber and poultry which are dominated by big businesses, state-owned businesses, small-holder farms, declining labour resources in Malaysia, land ownership issues in the Philippines, food security issues in Singapore, the challenge of developing rural economies in countries such as Indonesia and Vietnam and a lack of the expertise and resources that are needed to modernise agriculture, even in rapidly developing Malaysia.

South East Asia is rapidly developing its own free trade area, the ASEAN Free Trade Area or AFTA, which could ultimately become a model for other regional agreements in the Developing World. Within 5 years, free trade under AFTA will become a reality for the 6 major economies in the region, Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand, at both tariff and non-tariff levels (through mutual recognition arrangements and new regional directives). Ultimately, the region will implement the ASEAN Economic Community by 2020 or, possibly, earlier.

While AFTA does not constitute a customs union, the harmonisation measures that are now being made to the region's fragmented trade regulatory systems will ultimately lead to a very high degree of commonality in trade regulations that will impact on all exports into the ASEAN region. Subject to a consensus based agreement between all member states, this will provide ASEAN with the opportunity to establish a customs union at some stage over the next 15 years.

The region's commitments towards free trade in agricultural products and their derivatives are now wide ranging, although there are still a very small number of sensitive products, e.g. rice in some countries, that have yet to be addressed in the AFTA liberalisation agenda. In line with the organisation's concerns for its less developed members, Cambodia, Laos, Myanmar (Burma) and Vietnam are able to implement their commitments to AFTA at later dates that the 6 member states mentioned above.

The commitment to free trade within ASEAN is driven by consensus over concerns that new economic realities in the world put the member states, as individual entities, at a competitive disadvantage in a globalising world. Amongst these realities are the rise of China and India, the still growing power of the multinational corporations and the development of the EU and other trading blocs, e.g. NAFTA.

In addition to this, new learning has come from the events following the collapse of some of the region's economies after Thailand sparked off the Asian currency crisis and economic downturn in 1997. This is underlined by one Indonesian respondent to this study when he commented:

- *"It is inevitable that the WTO will sign an agreement on agriculture at some stage in future - the current question is when? In ASEAN, we have already set in motion a process that will see all agricultural products, including our biggest challenge, rice, brought into a free trade environment over the next 5 to 10 years.*

  What has been learnt in Indonesia since our economic crisis in 1998 is that:

  – *When trade barriers and industry supports are removed, real access to markets can only be obtained through business, marketing and distribution strategies that allow one's business to compete in its target market, whether it is the domestic market or an export market.*

  – *Trade barriers and subsidies are very costly exercises in terms of government finances and negative impacts on industries and markets. Ultimately, such measures only seem to lead to uncompetitive industries that cannot compete because they are reliant on help from the government and because of the complacency and inefficiencies that develop from their aid dependency. From observations, this is certainly the case in other parts of the world as well.*

  – *It is better for governments to facilitate trade through policies that develop viable entrepreneurial businesses of all sizes and stimulate fair trade in a free market than become involved in old-style protectionism. I now believe that AFTA will make old-style protectionism a thing of the past all across South East Asia within 5 years".*

Not surprisingly, now that the ASEAN countries have their own protocols in place for consensus decision-making on the ASEAN Free Trade Area, there have been some frustrations developing towards the Doha Round process and the positions taken by the Developed World negotiators involved in the initial 6-party negotiations.

Few in ASEAN were surprised when the 6-party negotiations collapsed. Today, there are concerns that protectionist stances of the U.S. and EU interest groups, now fully exposed by the Doha Round negotiations, and the climate of fear that underpins them will ultimately lead to the total collapse of the Round.

Rescuing the Doha Round will require putting it "back on track" based on:

- The actual realities, especially the differences, that exist between Developed and Developing World agriculture today; and

- Reinstating the democratic process that has so far been highjacked by powerful interest groups in the USA and EU. It is very important that consensus not be forced on the process by the activities of such groups and their bargaining tactics.

A new protocol needs to be put in place to deal with the above matters and establish a more equitable foundation for future trade negotiations under the Round. This briefing explores the issues that are now likely to undermine the next stage of the negotiations and makes recommendations on the contents of a new protocol: the "Jakarta Protocol", named as such because of the:

- Indonesian government's range of challenges in developing its rural economy, farming sectors and related businesses in the free (or freer) market that:

  – Will shortly exist for its farmers under the rapidly developing ASEAN Free Trade Area; and

  – Will eventually exist under a future agreement under the Doha Round on agriculture.

- The requirements that are needed for Indonesia to develop its rural economy, in an environment where the farming sectors and related businesses can develop into entrepreneurial and market oriented businesses that are not undermined by the impact of unfair protectionism wherever it exists in the world.

2. A deep seated climate of fear exists across the world's agriculture sectors

The WTO's Doha Round of trade negotiations stumbled to a halt in late July 2006 after an emergency meeting of the six initial negotiators, namely Australia, Brazil, the EU, India, Japan and the USA, ended with no agreement as a result of irreconcilable differences over the liberalisation of their domestic markets for a range of agricultural products.

The collapse of the negotiations between these six negotiators is now likely to mean the end of Doha Round discussions in the short term. Agreement between them was seen by the WTO as a first step towards broader based negotiations involving all 149 member countries.

The negotiation's collapse arises from a deep-seated "climate of fear" that prevails across much of the world's agricultural sectors. This fear is founded on the basic premise that a "win-win" situation will / could not be achieved for all sides involved in the negotiations, including the majority of WTO members (143 countries) who were excluded from the just failed 6 party negotiations.

Essentially, no country, developed or developing, will shift from its current position unless there are positive and tangible benefits to the liberalisation of their domestic markets to imported agricultural commodities and processed agrifoods.

3. The initial 6-party negotiations have shifted the strategic focus of the Doha Round

While there appeared to be some merit in the WTO facilitating an initial round of trade negotiations between Australia, Brazil, the EU, India, Japan and the USA as part of efforts to settle their specific differences, the process altered the strategic focus of the Doha Round. From the outset, the Doha Round was pitched as a "development" exercise with a focus on the market access situation of the Developing World countries.

The shift away from "development" also shifted the process away from a democratic and inclusive process, as was required by the WTO members, towards an undemocratic and exclusive round of negotiations between a small number of major economies.

Very like the UN Security Council and its machinations over the current Lebanon crisis, these discussions became embroiled in the interests of individual negotiators, in particular those from the more protectionist countries, rather than being underpinned by the interests and wishes of all 149 members of the WTO.

To save the Doha Round from complete failure on agriculture, the WTO members (acting as a body) now need to "take back the initiative" and put the round of negotiations firmly on a democratic track that takes into account the interests of all members and not solely the world's more powerful economies.

In particular, if the Doha Round is to become the envisaged "development round" then its initial objectives will need to be reiterated in an agreement that fully recognises that the initial discussions failed because the USA, EU and, to a lesser extent, Japan largely ignored / abandoned their commitment towards "development" once their interests came to the fore in the initial 6 party negotiations.

Convincing the USA, the more protectionist EU countries and Japan on this matter will be very difficult because of their entrenched fears about liberalisation and the significant bargaining power of the protectionist lobby groups that exist in these countries today. Developing a viable strategy towards this aim will be problematic if the current track is followed because of a range of weaknesses that exist in the WTO as an organisation.

4. Future negotiations under the Doha Round need to take into account some fundamental realities about agricultural economies and trade

While there were clear challenges involved in the facilitating negotiations between 149 countries over market access for agricultural products, the WTO's organisational efforts completely missed the reality of the situation surrounding the nature of the:

- Agricultural economies of the world; and
- Global trade in agricultural products.

Firstly, by promoting the initial 6-party talks the WTO has largely misunderstood (or ignored) the emotive links that exist between rural economic and community development and agriculture in most of the world's countries. This matter is just as important in the USA and France as it is in Indonesia and Thailand.

Secondly, although the basis of the Doha Round was meant to have been "development", the structure of the negotiations did not take into account the different economic structures, circumstances, earning capacities and bargaining powerbases that exist for agricultural sectors across the world, especially recognition of the reality of the differences that exist between the sectors in developed and developing countries. It would probably have been better to have facilitated some focused Developed World discussions at the same time as the initial 6-party talks.

Thirdly, in establishing the initial 6-party talks the WTO failed to recognise that, while most of today's manufactured goods and technology markets are dominated by larger modern businesses (especially in international trade), the agricultural industries are invariably dominated by less powerful small and medium-sized businesses, many of which have a traditional orientation and are not involved directly in international trade.

Lastly, in establishing the initial 6-party talks the WTO failed to recognise the real impact that larger businesses, including multinationals, now have on international trade in agricultural commodities and agrifoods, as well as the markets for branded food and drinks, and the related fears that exist towards these businesses within world agriculture today. Strong anti-liberalisation lobbies are often linked to larger businesses.

The above factors, especially their emotive aspects, create a scenario that is infinitely more complex than that faced by negotiators whilst they were involved in discussions over liberalising trade in manufactured products. This scenario is underpinned by a complex range of factors that act as barriers to future change.

5. Identification and analysis of the barriers to liberalising the world's trade in agricultural products in future

The barriers to change that exist to successfully liberalising the global markets for agricultural products are numerous and complex. They generally arise from misunderstandings and misconceptions which are underpinned by a range of different factors that are analysed as follows.

Factors	**Developed World Scenario**	**Developing World Scenario**
The different states of economic development.	The Developed World countries have generally forgotten their past. The long timeframe, i.e. 50 to 100 years, over which their economies developed is not recognised (or, in some cases, purposely ignore) including the unique opportunities that arose during the Developed World's period of development.	The Developing World countries do not understand the history of economic development of today's Developed World countries. Their understanding is generally superficial and focuses mainly on imperialism and colonial exploitation. The Developing World will likely develop over a much shorter period of 30 to 40 years.
Differences in market sophistication and its impact on food regulations.	The Developed World has sophisticated consumers who have a major impact on government policy and regulations. Aside from some blatant protectionist regulations that are being developed in Japan, most of the regulations that are being cited as technical barriers to trade arise from the demands of consumers for safe, healthy and nutritious food.	The Developing World countries do not understand the nature of the Developed World markets and their demand traits. Although consumers in some countries are increasing their demands for safe and healthy foods, the Developing World markets and food regulations are generally unsophisticated today. Developing World exporters are incorrectly using the experiences in domestic markets to judge what is needed when developing markets in the Developed World.
The goals and objectives of free(r) trade and differences in agendas and viewpoints.	The Developed World nations' policies towards freer trade in agriculture are unrealistic as they rarely take into account the requirements of the very powerful business lobbies and other interest groups that do not want their markets to be open to competition to lower priced products from the Developing World. The free(r) trade policies become "wish lists" rather than action plans because the start point does not take into account the known aggressive requirements of local lobbies and interest groups.	The Developing World nations generally have unrealistic expectations for outcomes of the Doha Round. In some (worse) cases, they are false hopes because they are confusing political wishes with commercial realities. This situation is underpinned by a high degree of naivety in the Developing World policies towards freer trade in agricultural products which are more like a "wish list" than a strategically oriented plan of action.

Factors	Developed World Scenario	Developing World Scenario
Differences in policy development, implementation and management capabilities.	The Developed World countries are generally highly proficient in policy development, implementation and management. Notwithstanding the development of the new global political power of China, India and Brazil, the policies that are developed in the USA, EU and, to a lesser extent, Japan can have major impacts on the world's economy, especially the countries of the Developing World. The initial 6 country discussions which recently ended in stalemate outwardly suggest that, in some of the major economies, there are double standards in some of the trade policies being established towards the Doha Round. The USA, EU and Japan all appear to have some level of predetermined outcomes for the negotiations which run contrary to their original promotion of the negotiations as the "development" round.	Most Developing World countries are too weak in policy development capabilities, including developing constructive linkages between different policy areas, and policy implementation, management and impact evaluation. Problems exists on matters such as: ▫ Policy reduction and evaluation; ▫ The environment; ▫ Resource usage, including energy which is now becoming a major issue in many Developing World countries where the number of middle income consumers is seeing rapid growth; ▫ Trade and industry development policy, including agricultural products and their derivatives. ▫ Other matters, e.g. women in some countries. It is common in some Developing World countries for good policy intentions to be undermined by interest groups, which can range from interference in decision-making to blatant corrupt practices.
Business organisations and their bargaining power in the markets.	Today's Developed World businesses and industry groups that are involved in trade in agricultural products and their derivatives, e.g. branded food products, are generally large because of past merger and acquisition activity. These businesses, which may be multinational or international in nature, have sufficient power through their lobbying efforts to influence or even dictate a self interested agenda for both multilateral and unilateral trade negotiations.	Today's Developing World businesses, unless they are foreign-invested businesses, are significantly weaker in their capabilities to influence global trade policy. These local businesses can influence local policies if they are involved in a market where imports could have a future impact on the rural economy. Strong Developing World industries are often feared by their Developed World counterparts, e.g. in the edible oil and rice markets, where they have become the subject of protectionist lobbying.

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<tr><th>Factors</th><th>Developed World Scenario</th><th>Developing World Scenario</th></tr>
<tr><td>Government interests versus business interests and the inherent limitations of negotiators and the WTO process.</td><td colspan="2">In most, if not all, countries there are differences in attitudes towards free or freer trade that are not being taken into account by the WTO negotiation process. These differences should really be resolved on a domestic basis before any international negotiations start but are not for a variety of reasons, mainly because the self interest that underpins the negotiations. The situation is causing the chaos for the negotiation process. This, ultimately, led to the failure of the initial 6 party talks in late July 2006.

Governments that are pro-free trade or interested in opening up their markets under the WTO are unable to deal with the contrary pressures that exist from powerful protectionist business groups that exist in their country. These governments have no strategy towards dealing with these interest groups and, for political reasons, generally have to bend to the will of these groups. In the EU, the situation is even more complex because of the different attitudes of its member states towards agriculture. Additionally, the WTO process has no strategy in place or procedure for dealing with these challenges to the negotiations that it is facilitating.

Currently, it might be perceived that the negotiators who have not dealt with these internal pressures:

□ Have not provided upfront disclosures about the related limitations over their ability to negotiate are, in fact, not acting in good faith towards the negotiations; and

□ Are "winging it" - in effect, wasting the resources and time of the WTO and the other negotiators.

While some commentators may argue that the position of some negotiators, e.g. the EU, the USA and Japan, are well known from press reports, etc., the position is wholly unsatisfactory. The WTO has become a "talking shop" under the Doha Round, rather than a focused business-like discussion forum based on real bargaining positions.</td></tr>
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<tr><th>Factors</th><th>Developed World Scenario</th><th>Developing World Scenario</th></tr>
<tr><td rowspan="2">Agriculture, food processing and distributive industry business strategies.</td><td colspan="2">The major hypermarket, supermarket and convenience store operators in the Developed World, e.g. Walmart, Tesco, Carrefour, Aldi, etc., have become the most powerful players in the Developed World food supply, i.e. farm to end-consumer, over the past 20 years. Since 1990, they have also been investing in other parts of the world, e.g. the states in the former Soviet Union and Eastern Europe since 1989 and East Asia since the Asian economic and currency crisis in 1997/98.

These retailers have been driving their costs down through a number of business strategies, including using their significant bargaining power as buyers to extract lower prices from their suppliers, which include small (specialist farms) to large sized businesses (multinational food and drink manufacturers). These retailers are largely responsible for the "cheap price" phenomena that exists across the whole of the Developed World as:

▫ They price-compete for shoppers' loyalty to take more retail market share from their rivals and so maximize from their high-volume low-margin operations; and

▫ Their suppliers, especially the listed companies (multinationals) attempt to meet the demands of the major retailers by reducing their own costs through improved efficiencies, cost cutting exercises and seeking out lower cost sources of supply, as well as category management "partnerships" with these retailers.

The impact of the "cheap price" phenomena on the Developed and Developing Worlds are different:</td></tr>
<tr><td>▫ While some consumers who are concerned about their local farmers and exploited foreign farmers, e.g. in the UK, are starting to react against the retailers, the activities of the retailers over the past 20 years are well entrenched and supported by the bulk of the population. (Note: Governments have also "supported" the activities of the retailers and their suppliers because they have had a positive impact on minimising retail price inflation over the period, etc).

Food brand-owners in the EU want to see more open world markets so they can export branded products, mainly niche products that can no longer easily access their mainstream local retail channels.</td><td>▫ The retailers and food processors operating in the Developed World have increased their sourcing of agricultural products and processed agrifoods from the Developing World or in the case of the EU from Eastern Europe.

These demands have "hooked" Developing World producers into the demand for "cheap pricing" in the Developed World through channels that are, because of official restrictive market access arrangements, controlled by Developed World businesses. The Fairtrade lobby, which is developing across the Developed World, argues that this situation works to the detriment of Developing World farmers because they are too weak to negotiate a fair price for their products from the Developed World buyers.</td></tr>
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Factors	Developed World Scenario	Developing World Scenario
Business strengths and weaknesses in the agriculture and agrifood businesses.	Businesses operating in the Developed World's agriculture and agrifood industries are more sophisticated than their Developing World counterparts. They are more than 30 years ahead of Developing World businesses in terms of the development of their resource and knowledge bases. They operate in liberalised domestic markets and, in some cases, markets that are open to competition from imports. The industries they operate in have consolidated as a result of more liberal investment conditions and a focus on profitable operation of efficient businesses in line with the demands of independent shareholders, i.e. for stock exchange listed businesses. Developed World businesses are also larger businesses operating in less fragmented industries than those existing in the Developing World. They are more strategic in management style and operation, have closer / more direct links into the mainstream distribution channels and have strong marketing and technical/R&D abilities. Such businesses, which could be locally or foreign-owned, can have political influence because of their economic value to their host nation. Most of these businesses have strong competitive defenses against competitors (which are embodied in well developed business and marketing strategies), although they do have a well entrenched fear of price competition from "cheap imports".	Businesses operating in the Developing World's agriculture and agrifood industries are less sophisticated than their Developed World counterparts. While some Developing World countries are developing modern industry structures in certain sectors, e.g. the Malaysia's domestically controlled palm oil industry, most agricultural industries are highly fragmented, i.e. comprised of a large number of small and medium businesses and a small number of larger state-owned businesses and/or privately owned large locals. The bulk of Developing World businesses are commodity-oriented with short term planning horizons. Many operate in regulated markets that: ▫ Restrict their growth potential; and ▫ Protect them from external competition. Most are managed in a traditional manner and have comparative weaknesses in management skills, financing, marketing and technology, including R&D. They usually have excellent physical distribution abilities, although these are based on costly internal distribution divisions. Those that are stock exchange listed are not influenced by independent share holders because most shares are in the hands of the founding family and the free float portion of shares is small. These businesses have a well entrenched fear of more foreign powerful businesses and brands, which they "know" have the potential to destroy their businesses. Their only defence to competition is reactive and involves starting a damaging price war.

Factors	**Developed World Scenario**	**Developing World Scenario**
Stock markets and objectives of listed companies.	Most major Developed World businesses, including multinationals, are listed on a stock exchange somewhere in the world. The motivation of stock market listed companies is often underpinned by short term profit forecasts and sales targets that are "provided" to their senior operational managers by their Board level management team. U.S. listed companies generally have much tighter targets than their counterparts than in other parts of the Developed World, e.g. Europe. As a result, the tendency of their management is to be very profit oriented and have high risk aversion and short term attitudes when making decisions on investment in the Developing World.	Government policy makers do not understand the impact of the profit motive of Developed World stock market listed companies on global trade in agricultural products and their derivatives and investment in agricultural sectors in the Developing World. Developing World government policies tend to react to the activities of profit oriented businesses rather than strategising for such activities. Such governments can also face dilemmas as they often need investments from major stock market listed companies to develop their economies and provide jobs to their citizens. This has led to the establishment of the, now, well publicised "sweat shop" operations in some least developed countries and to the public outcry against them in some Developed World, especially in the EU. Developing World governments do not understand the impact of the demands of independent investors on listed companies. This situation exists listed companies within their own jurisdiction are usually controlled by local families who are viewed as loyal corporate citizens to interact with at various levels.

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<tr><th>Factors</th><th>Developed World Scenario</th><th>Developing World Scenario</th></tr>
<tr><td>Product alternatives and substitutes and their competitive interaction in the agricultural commodity markets.</td><td colspan="2"> Competition between domestically produced agricultural commodities and their direct alternatives (e.g. local wheat competing with imported wheat) and indirect substitutes (e.g. local rice being impacted upon by imported wheat) is a "minefield" for the Doha Round. The start point for discussions on this matter are the GATT Uruguay Round agreements that were reached by some negotiators, e.g. Japan and EU, on the basis of special localised circumstances, e.g. local culture, traditional practices and food security issues. A new start point does, however, need to be strategised for as the circumstances have changed for some industries in the Developed World that received special attention under the GATT Uruguay Round, e.g. rice farming in Japan, Italy and, even, in South Korea, a relatively new member of the OECD. Additionally, the actual impact of substitutes needs reviewing based on what has actually happened in the markets where they were identified as problems for trade at the time of the GATT Uruguay Round. This is needed because of the impact of trade barriers and high tariffs under circumstances where such products do not, in fact, compete as a substitute but operate in a culturally distinct and differentiated, e.g. imported wheat in a predominantly rice eating culture. Some points to note: In Japan, for example, the rice farmers are ageing and younger Japanese have a distinct lack of interest in rice farming. Despite this scenario, the Japanese cereal farming sector is still a major player in the politics surrounding market liberalisation for most cereal products and government support (price subsidies) for Japan's archaic and inefficient small-holder dominated farming industry. Domestic prices for rice in Japan, the EU and South Korea are reported to be significantly higher than world market prices.
Similar scenarios also exist in other protectionist countries, e.g. Thailand, where the government controls the price at which rice is traded and also provides barriers to the import of wheat, which is generally regarded as a dangerous substitute for rice, notwithstanding the fact that Thailand has a very strong rice eating culture. History provides examples of how the scenarios now seen in Japan and Thailand ultimately work against the farmers that they are supposed to protect and nurture. In some cases, such protection severely undermines the targeted industry so that it becomes complacent and uncompetitive. A recent example to come to the fore has been the plight of the protected French "old world" wine industry which has dramatically lost market share and status on a global basis to businesses that operate in free markets, e.g. Australia and other New World wine producing nations. </td></tr>
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<tr><th>Factors</th><th>Developed World Scenario</th><th>Developing World Scenario</th></tr>
<tr><td>Food aid and its impact on local markets.</td><td>In some cases, the Developed World food aid packages, especially large donations of agrifood commodities (regarded as "dumped surpluses: by some commentators), are poorly managed.

In the past, this has led to localised distortions in the markets in the countries that have received the aid.

These distortions impact on both the market for the generic product and for local alternatives.

(Note: Corrupt practices in the country receiving the donation are reported to worsen the problems, especially for local producers of alternatives who cannot compete with donated food that erroneously" illegally under most aid contracts - enters the commercial market at low and market-distorting prices).

Aid donors from the Developed World tend to have weaknesses in their policies towards developing procedures and practices that assist their aid programs to meet their goals and objectives, including:

□ A failure to perform a realistic impact assessment on all aid programs; and

□ A review of matters such as control over corrupt practices in the country where aid was disbursed.

Most aid agencies that fail in this respect do so because of their "do-gooder" tendencies and a viewpoint that performing these reviews and assessments in a professional manner is politically incorrect and "not nice" when one is donating to a worthy cause.</td><td>In practice, many of the Developing World countries that accept food aid packages allow donated food to distort their local markets in a manner that undermines local producers, including substitute products, and trade in commercially imported products.

This situation arises because of weaknesses in local management of the donations, especially control over inappropriate dispersal of food aid and related corrupt practices. Under these circumstances, most aid agencies (NGOs) now contend that food aid should be made in cash and not the form of exported commodities and products. They argue that, in the past, exported commodities have proved too attractive to criminals who want to make a "quick buck" out of their home country's weaknesses.

In countries where aid (all forms, whether food or otherwise) is commonplace, local governments have become just as aid dependent as their populations.

This results in significant amounts of waste in terms of failed aid projects and inappropriate use of aid funds and other resources. As with the food aid shipments, this situation is caused by weaknesses in planning, managing and controlling aid programs that operate within their territory. Most of these weaknesses are solvable, if there is the political will or an concrete agenda to solve them.</td></tr>
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Factors	**Developed World Scenario**	**Developing World Scenario**
Non-tariff measures	The Developed World, e.g. the USA, Japan and the USA, has well developed non-tariff measures that have been developed on the back of the food health and safety concerns of bureaucrats, which have been stimulated by the concerns of consumers in their home markets. The scope and impact of these measures on imports is significant and usually an effective barrier to imports from the Developing World. A key challenge across the Developed World arises from the complex / diverse nature of the non-tariff measures which are usually country and market specific, e.g. in protectionist Japan, despite the existence of international bodies such as CODEX and the WTO.	Although the Developing World are establishing more sophisticated non-tariff measures (usually benchmarked on Developed World examples, e.g. Japan), the measures that exist are not usually barriers to imports of products from the Developed World because of the inherent high product quality standards of such products. In contrast, Developing World exporters find the Developed World non-tariff measures highly challenging because their home markets are not governed by a set of sophisticated regulations and they the lack expertise and resources to deal with the complex range of non-tariff measures that exist when attempting to access Developed World markets.
Aid and subsidy dependency.	Dependency on market distorting subsidies exist in the EU, the USA and Japan (mainly rice). It is noteworthy that the WTO has already ruled some of the U.S. (cotton) and EU (sugar) subsidies as illegal under WTO rules. There are now a range of potential complaints against the EU and the USA that could be taken to the WTO as a result of the cotton and sugar rulings. Subsidies in the EU, USA and Japan generally support farms and related businesses that are not viable when operating in a free(r) market environment, e.g. because of inefficiencies that arise from a range of factors, including (1) the climate, (2) business structures and (3) cultural issues.	Countries in the Developing World that have been the recipients of international aid, in whatever form, have generally become dependent on that aid at both the levels of government and private citizens. Successful private businesses, some of them large businesses, e.g. food manufacturers, have even benefited, from some aid programs funded by international agencies and governments. There are now major question marks over whether or not such aid actually benefits the targeted populations. It is evident that the governments of countries that are now ranked as advanced developing countries, e.g. Malaysia, have weaned themselves off international aid and started to develop based on internally generated resources and foreign investment, albeit in a protected market environment. *(Note: All of today's Developed World, e.g. USA/Canada, EU, Japan and Australia, also have a history of development within the framework of a protected domestic market).*

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<tr><td>Tariff regimes.</td><td colspan="2">Both Developed World and Developing Worlds tariff regimes are generally protectionist. While regions of the world, e.g. the EU, ASEAN, NAFTA and Mercosur have developed/are developing low duty/free trading zones, a small number of countries, e.g. Australia, have low tariffs on many products, and unilateral free(r) trade agreements are being negotiated, e.g. by the USA, the broad situation that exists within the world's tariff schedules is highly complex and fragmented. In some cases, the cost of administrating the tariffs is actually higher than the revenues that are generated by the tariff collections or the economic benefits that accrue to the domestic industry that is being protected, e.g. for some product categories in Japan and Thailand.

From the commercial standpoint, the principal impact of the current schedules on businesses is on their costs, which increase, and efficiencies, which are reduced. Any import duty that is set at a rate above 5% is punitive at the level of consumer pricing, more so if other taxes, e.g. VAT, GST, luxury taxes, etc., come into play. Tariffs set at rates higher than 10% are major hurdles for any product that incurs significant ocean freight and other costs, e.g. port charges and internal distribution and storage charges, when accessing a foreign consumer market. Tariffs in excess of 15% serve only to eliminate most imported products from the markets, except when targeted at the highest income consumers, e.g. expatriates in Developing World countries.

While the GATT Uruguay Round facilitated improved transparency over tariffs and introduced freer trading regimes across the world, its process only served to allow protectionist governments to develop both complex tariff schedules and non-tariff measures that border on non-compliance with the now WTO rules, e.g. Japan's commitments, which are amongst the most complex in the world.

In most cases, the tariffs being levied impact negatively on the consumer and only serve to drive up their cost of living and/or reduce choice in their home markets. Some points to note:</td></tr>
<tr><td></td><td>▫ Many of the tariffs that exist in the Developed World are targeted at eliminating competition for domestic industries from lower priced imports, which can include products that are not direct competitors but substitutes. These substitutes often represent products that are produced in a different climate to that of the Developed World country.

Japan is a classic example of a protectionist country that has a deeply entrenched protectionist strategy towards imports of agricultural products that it cannot produce efficiently or at a price that is truly acceptable to its consumers.</td><td>▫ Many of the tariffs that exist in the Developing World are designed to protect a future opportunity that might develop for a local industry or investor, e.g. cheese in countries with tropical climates and inefficient local dairy farming industries. Soybeans and wheat in countries with tropical climates.

Unfortunately, Japan's complex food tariff regime is a very dangerous benchmark (example) for protectionist Developing World countries, e.g. Thailand, which is one of the most protectionist countries in the world when it comes to imports of food products into its territory.</td></tr>
</table>

<table>
<tr><th>Factors</th><th>Developed World Scenario</th><th>Developing World Scenario</th></tr>
<tr><td>The potential to manipulation of the existing WTO agreement, in particular the Peace Clause, the Amber, Blue and Green Boxes.</td><td colspan="2">Although well intentioned, the existing Agriculture Agreement includes provisions that are out-of-date and inappropriate to the goals of free or freer trade in agricultural products. There are varying opinions across the Developed and Developing Worlds on this:

▫ The Peace Clause is reported to be viewed by a large number of WTO members as "protecting the protectionists"; and

▫ A sizeable number of WTO members consider that the way in which the Amber, Blue and Green Boxes are designed and operate needs to be updated for past changes in the economic status of some of the Developed World's agricultural economies that are still using the Amber and Blue boxes.

Additionally, for the Green Box, there needs to be more clarity in terms of defining the nature of government activities that can be used to stimulate the development of viable agricultural businesses that can compete in a fair and free market.

Negotiating these provisions will be highly problematic and any changes that are made need to avoid making the already complex situation even more complex.

A business-oriented debate rather than a political debate needs to take place on this to eliminate the emotion from this aspect of the negotiations. Political debate on this issue will likely prove to be extremely biased in both its form and content, as has been seen in the recent past.</td></tr>
</table>

As can be seen from the above analysis, there are a range of crucial differences between the Developed World and Developing World that can, and will, undermine future discussions on freer trade in agricultural products. Active steps need to be taken to bring the two worlds (closer) together in a focused and realistic manner before meaningful discussions/negotiations can proceed in future.

It is clear from the initial 6-party Doha Round discussions that the WTO's constitution needs to be updated in the area of ethics, transparency and related negotiating practices. The WTO is now suffering from critical weaknesses that need to be eliminated if the Doha Round is to have any success in meeting its goals and concluding with a satisfactory agriculture agreement based on consensus between all member states.

The Developing World has moved on and become much more sophisticated than at the time of the GATT Uruguay Round and this needs to be fully taken into account in the "rules of engagement" for the negotiations. The inclusion of India, China and Brazil in the initial 6-party discussions underlines these changes, but there are others in the Developed World that might also validly have claimed a place in these discussions, e.g. the South Korea, ASEAN (as a group), South Africa and, possibly, Nigeria or Egypt.

A core critical challenge that now exist for the Doha Round lies in the developing concerns of the Developing World over the intentions of the Developed World as to whether future negotiations can take place:

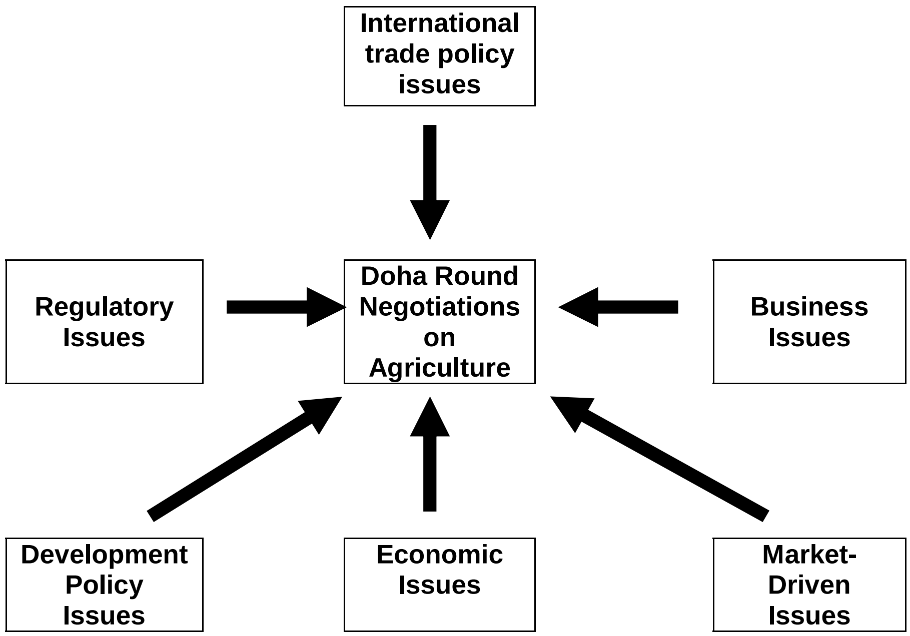
- In an environment of good faith and transparency, especially over each parties' motivations and constraints. As one respondent to this study commented:
  - *"The now apparent failure of the initial 6-party discussions raises serious questions over the motivations of the USA and EU in the future. The negotiators are too hampered by the fact that they are not able to handle the changing interests of the lobbying groups that exist within their jurisdictions. Declaration of the limitations or preconditions – 'no go' areas - should really be made up-front and in a transparent manner, if the good faith negotiations are to proceed in a way that can lead to some form of consensus. Otherwise the proceedings become again become another costly waste of time, effort and resources"*.
- Where all negotiators are decision-makers that <u>do not</u> have to defer to a higher authority, including, and especially, external lobbying groups. As another respondent to this study commented:
  - *"In practice, it is no use sending an 'office boy' to negotiations with a half baked proposal and no real ability to negotiate towards consensus – negotiations will never work on this basis. The USA and EU have to rethink their abilities to negotiate in good faith and ensure that their negotiators can actually make the hard decisions that have to be made to achieve consensus, especially on matters that will affect their powerful domestic interest groups. The strategy towards such interest groups has to be sorted out well before the negotiations start"*.

6. What needs to be done to reactivate the Doha Round of discussions on agriculture? – A problem analysis for tomorrow's negotiators

6.1 The source of pressures on the Doha Round negotiating process for agriculture

The challenges that face the WTO, as a body of member countries, in negotiating a consensus-based Doha Round agreement on agriculture arise from a range of different issues, as identified in the previous section (see Chart below).

The Pressures on the Doha Round Negotiating Process for Agriculture



Source: Respondents to Stanton, Emms & Sia study (July/August 2006)

All of the pressures highlighted in the above Chart underpin the WTO members' opportunity to meet the following original goals for the Doha Round on agriculture, to quote the WTO Ministerial Declaration of November 2001:

- *"The long-term objective of the WTO is to establish a fair and market-oriented trading system through a program of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets"..*

- *"Building on the work carried out to date* (pre-2001) *and without prejudging the outcome of the negotiations, we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support".*

- *We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development.*

- *We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.*

6.2 The impact of interest groups on the negotiating process

It is now evident from the results of the initial 6-party discussions that the goals of the Doha Round (as detailed above) have become clouded by the interest groups in the EU and USA and their intransigence towards each other. This is not a conflict that the Developing World, or countries that have already been involved in a substantial liberalisation of their markets, e.g. Australia, want to be involved in.

Despite the USA and EU losing their respective cases against them on cotton and sugar, both are still intent on establishing "bargains" that allow them to continue protecting some elements of their existing trade policies. The Developing World does not want to be pawns in a US/EU game of brinkmanship.

What the Developing World wants and needs is an unrestricted chance to:

- Negotiate market access on a truly international basis to markets that are not distorted by unfair protectionist measures in future;

- Obtain some level of special or differential treatments as was "obtained" from historical circumstances by the current Developed World countries when they developed in the past, e.g. early technological development, early capital market development, the ability to exploit resources, colonialism, etc; and

- Operate in a global market environment where their rural economies have the ability to develop, unhindered by unfair practices, and provide a strong contribution to national food security and the well being of the rural communities.

So far the Doha Round discussions on agriculture have been unrealistic and can only be equated to an unfolding "emperor's clothes type scenario" for the WTO members who were not involved in the initial 6 party discussions. There has been a significant amount of official "play acting" by some negotiators in the initial discussions which were almost certain to lead to failure of the talks. This situation developed after the "development" aspect of the round was abandoned by the USA, Japan and some EU countries and "self interest kicked in".

6.3 Bringing the Doha Round on agriculture back from its current failed position

To bring the Doha Round on agriculture back from its current position, there needs to be full recognition of the economic differences that exist between the agricultural sectors and, importantly, rural communities in the Developed World and Developing Worlds. The Table below provides some comparisons of a number of countries in both worlds that highlight the big and real differences that exist today.

Developed and Developing World Rural / Agricultural Economic Performance in 2003/2004

Country	Population in Millions	Rural Population %	Total GDP US$ Billions	Agriculture Share of GDP	Rural/Agricultural Economic Performance		
					GDP in US$ Millions	Number of Farms	Per Capita GDP Per Farm in US$
USA	**293.7**	**19.9%**	**12,170.9**	**1.2%**	**146,051**	**2,791,000**	**52,329**
Indonesia	217.6	54.5%	257.6	15.5%	39,928	50,531,000	790
France	**60.4**	**23.7%**	**1,834.4**	**2.5%**	**45,859**	**745,000**	**61,555**
Thailand	63.7	68.0%	161.7	10.1%	16,332	20,185,000	809
Canada	**32.0**	**19.6%**	**978.0**	**Less than 2.5%**	**24,450**	**353,000**	**69,263**
Malaysia	24.9	36.2%	118.3	9.5%	11,239	1,740,000	6,459
Spain	**42.4**	**23.5%**	**919.3**	**3.5%**	**32,176**	**1,113,000**	**28,909**
South Africa	45.5	43.1%	212.8	3.4%	7,235	1,570,000	4,608
Australia	**20.1**	**8.1%**	**637.3**	**3.3%**	**21,031**	**436,000**	**48,236**
Uganda	26.9	87.7%	6.8	32.2%	2,190	9,953,000	220
Denmark	**5.4**	**14.6%**	**241.4**	**2.3%**	**5,552**	**93,000**	**59,701**
Paraguay	5.9	42.8%	7.3	27.2%	1,986	756,000	2,626
Japan	**127.8**	**34.5%**	**4,734.5**	**1.3%**	**61,549**	**2,172,000**	**28,337**
Nigeria	128.7	53.4%	55.3	16.6%	9,180	15,159,000	606

Source: World Bank, UNDP, FAO and national governments

The realities that exist for agriculture in the Developing World and its related rural areas are:

- Higher rural area populations, when compared to the Developed World. There are larger numbers of people in the Developing World that rely on agriculture for their household incomes, indeed for their survival in many cases;
- Higher numbers of farms, when compared to the Developed World. The Developing World generally has highly fragmented agricultural industries comprising larger numbers of small farms; and
- Higher shares of national GDP contribution than agriculture in the Developed World. Agriculture is more important to the overall success of the economy of Developing World countries than in the Developed World. In some countries, e.g. the Philippines swings in the performance of agriculture can dramatically affected overall economic performance and business and consumer confidence; and

- Significantly lower individual farm operation incomes (contribution to GDP) than in the Developed World. Average farm incomes in most Developing World countries represent subsistence based incomes whereas average farm incomes in the Developed World are many times higher because of the prevalence of well organised commercial farming operations.

The data from any of the countries detailed in the Table above highlights these basic realities. The situation for two of the largest countries considered by the data comparison is as follows:

- 54.5% of Indonesia's population (218 million) resides in its rural areas, which have about 50.5 million farms. Average agricultural sector GDP per capita is very low at just US$ 790 per Indonesian farming operation. Indonesian agriculture, as an industry, is highly fragmented with a large number of small and medium-sized farms.

- 19.9% of the USA's population (294 million) resides in its rural areas, which have about 2.8 million farms. Average agricultural sector GDP per capita is very high at over US$ 52,000 per U.S. farming operation. The USA's agricultural industry has a mixed of farm sizes, with many being large-scale operations.

The comparisons between other Developed World and Developing World countries is very similar to that existing between Indonesia and the USA, e.g. France and Thailand, Canada and Malaysia, Spain and South Africa, etc.

In Jakarta, Indonesia, as in the capitals of the other Developing World countries, there is now considerable frustration with the Doha Round negotiation process. There is no way that negotiations can take place if the premise is that all parties are treated as economic equals from the outset of the discussions. This situation does not represent reality. As highlighted in the Table above, the economic differences between the agriculture sectors across the world are very wide.

The pro-free trade government that exists in Jakarta today has a significantly different scenario to deal with than the protectionist leaning government that now exists in Washington DC. Both are concerned about their farmers but as the data in the above table highlights, the farmers in Indonesia and the USA clearly operate in very different worlds. What the Jakarta-based government needs today is negotiations that are:

- Based on existing economic and market realities and on full and up-front transparency on all issues that surround the matters to be discussed within the scope of the Doha Round.

- Performed in an ethical manner where honesty, integrity and democracy (within the context of the body of WTO members) underpins all aspects of the Doha Round negotiations.

Without these foundations to future discussions, the Doha Round of discussions is likely to fail under conditions where animosity towards the Developed World and the WTO will only solidify in future. If the discussions fail, political circumstances in Indonesia and other pro-free trade Developing World countries will ultimately force governments to accede to the protectionist demands of their agriculture sectors and agrifood businesses.

The current perceived failure of the United Nations, in particular the UN Security Council, to democratically deal with the wishes of the majority of the UN's members, many of whom are Developing World countries, over the Lebanon crisis could also spill over into broader based dissatisfaction with other world bodies. This could ultimately see them having to be radically reformed over the next 5 years. This scenario is likely to happen sooner rather than later for the WTO if the Doha round on agriculture cannot be rescued from the near-failed state that exists today, i.e. in August 2006.

6.4 Establishing some new ground rules for the Doha Round negotiations – the proposed "Jakarta Protocol"

It is imperative that the ground rules for Doha Round negotiations and the start point for negotiations be reset on an urgent basis to avoid a bigger crisis than exists under the surface to today and, worse, failure of the Round on agriculture at some stage in the foreseeable future. As a start, these ground rules should reemphasis or bring in the following matters, i.e. the proposed "Jakarta Protocol":

- **Upfront recognition of the significant differences that exist between Developed World and Developing World agriculture to establish a more level playing field for negotiations and future trade.**

  The significant differences that exist between the Developed World and Developed World on farming incomes, the agriculture sector's contribution to national GDP, the relative strengths of farming industries on a worldwide basis and the level of reliance of rural area and importance to national food security should be formally recognised by the WTO members, as a body, through a new documented agreement. This should include clear definitions on Developed and Developing World agriculture and rural economic development, made for the purposes of compliance with the WTO rules. These definitions should be updated annually based on UN audited data.

  Due to the large differences in the income earning capacities, resources, capabilities, business size and their powerbase, and relative contribution to national economies, no Developed World agricultural sector should be treated as underdeveloped for the purposes of the Doha Round of discussions.

  As part of efforts to restart the Doha Round of negotiations of agriculture in a more equitable and transparent manner, the WTO should facilitate a focused debate on this issue amongst its members so that the first WTO agreement that clarifies and defines the status of Developed and Developing World countries can be finalised at some stage in early 2007.

It is very important that this agreement should include a clear definition on "least developed countries" so that other developing countries, e.g. Indonesia that are not included in this category but have very weak farming industries have a well defined start-point from which to negotiate their own concessions from the Doha Round on agriculture, i.e. for the weaker farming industries.

- **Negotiating in good faith with full and transparent disclosure of negotiator constraints and preconditions arising from non-government interest groups.**

As part of maintaining good faith towards democratic negotiations there should be improved transparency over the constraints and preconditions that exist domestically for all negotiators. Many of the delays seen in the Doha Round negotiations arise directly from weaknesses in transparency over constraints to the negotiator's bargaining position.

All WTO members should have a strategy in place to identify all material constraints and preconditions in a practical manner and make full and detailed declarations about them to their fellow WTO members before future negotiations start.

The WTO should develop a new code of conduct on declaration and transparency of WTO member constraints and preconditions to facilitate fairer negotiations in future.

A new centralised system of recording details about constraints and preconditions and the declared position of national interest should be developed and maintained by the WTO for dissemination of information to all WTO members and the public, e.g. openly available to the world community on the internet through a WTO website.

All negotiators should be in position to make decisions without deferring to a higher authority within their government or third party interest group, especially an agricultural industry lobbying group.

- **Recognising that the concept of fair trade, in addition to free trade, should be recognised and considered in the negotiations on agriculture.**

The concept of "fair trade" should be accepted by WTO members and well entrenched in future WTO agreements, which should concentrate as much on fair trade as on free trade.

The concept of fair trade, which is now developing outside the WTO and driven mainly by consumer concerns in the Developed World for the farmers and rural area communities of the Developing World, should be formally introduced into the Doha Round negotiations.

The Peace Clause should not be renewed by the Doha Round negotiations on agriculture so as to facilitate open debate over all measures that undermine the concept of fair trade for agricultural products.

If the Peace Clause is renewed, it should not be available for use by countries that are ranked as Developed Countries by the OECD and World Bank. Developing World countries should not be able to use the clause after a 5 year period when their rights to use the Peace Clause should be completely withdrawn and the clause deleted from the Agriculture Agreement.

A future Doha Round agreement on agriculture should contain a clause requiring the WTO to develop a fair trading code of practice to define what fair trade constitutes when related to agricultural products. An urgent area of focus for this code should be access of Developing World products to Developed World markets.

- **Recognising the power of the multinationals and stock market listed companies within the context of their impact on global agriculture should be recognised in any future Doha Round agreement.**

Multinational businesses and stock market listed companies are global corporate citizens that can impact either positively or negatively on global agriculture. As these businesses have become, and are still developing into, major players in the global agribusiness supply chain (farm input suppliers to retail outlets), their status and potential should be formally recognised by the WTO in the Doha Round negotiations and in any future Doha Round agreement on agriculture.

The multinationals and stock market listed companies are a challenge for farming businesses and their marketing organisations in both the Developed and Developing World because of their inherent bargaining power as global buyers and suppliers in the agricultural supply chain, i.e. farm input suppliers through to hypermarket and supermarket operators. It has to be recognised that they can dictate the terms on which global, regional, domestic and some localised markets operate on matters such as price, product type and characteristics, place of purchase, promotion and many aspects of service.

A future Doha Round agreement on agriculture should contain a clause requiring the WTO to develop a code of business conduct and ethics for multinational companies and investors, e.g. stock market listed companies, operating in the agricultural sector and its supply chain (farm input supplier to retail outlet), especially covering their conduct towards small and medium-sized farmers operating anywhere in the world.

- **Recognising that the use of culture as a basis for protecting agricultural industries is damaging to the industry concerned and should be discouraged.**

  The use of culture as a basis for protecting industries should be discouraged, especially in the Developed World where farms and farming businesses are disproportionately wealthier and powerful in the markets than their Developing World counterparts.

  Culture brought an emotional aspect into past trade negotiations, i.e. the GATT Uruguay Round, that has only led to irrational economic, trade and industry development policies towards sectors that were afforded cultural protection. The impact of cultural protection has only led to spiraling government funded subsidies, local market pricing that is radically out of line with world market pricing, aid dependency, weak entreprenuerialship and, worst of all, to inefficient and ineffective farming and agribusinesses.

  If culture is used to protect industries in the Developing World, it should be transparently justified in terms of the economic benefit to the rural economy and low income (poor) smallholder farmers.

  Direct subsidies should not be used to support industries that are protected on a cultural basis. Such subsidies are underpinned by emotion rather than economic commonsense. They only lead to the supported industry becoming more dependent, inefficient and ineffective in future. Future support for such sectors should assist the farmers to modernise in a culturally sensitive manner to operate in a modern market environment.

- **Recognising that aid provided to Developing Countries by the Developed Countries should not be designed to cause any form of distortion to the markets of farmers and their businesses and organisations operating in the recipient country.**

  A future Doha Round agreement on agriculture should contain a clause requiring the WTO to develop a code of conduct and ethics for all aid donors and recipient governments that have involvement in the agricultural sector and its supply chain.

  This code of conduct should be designed to provide guidance to aid donors and recipient governments on measures that should be avoided as part of efforts to avoid market distortions.

  This code should include provisions defining the responsibilities for controlling corrupt practices involving aid donations, including the content of legislation in the recipient country and the content of aid agreements on matters such as control, monitorship, investigation and prosecution of persons and organisations involved in such practices.

The code of conduct should also cover activities where large profit-oriented businesses, e.g. locally listed businesses or subsidiaries of multinationals, become involved in aid programs as producers or distributors of products that are developed and manufactured specifically as food aid.

Food aid should not be dispersed in the form of market distorting product shipments but should be supplied in the form of cash and well controlled under the terms of the above envisaged code of conduct.

- **Recognising that high tariffs are overtly protectionist and have negative impacts on consumers, markets and industries, both on a global and domestic basis.**

  In line with the focus on developing entrepreneurial and market-oriented farming businesses, the maximum tariff rate permitted under the future Doha Round should be reduced significantly from its current level. The goal of the Round should be to reduce permitted tariffs to 10% ad valorem or less. Additionally, export tariffs should be completely banned under the future Doha Round agriculture agreement.

  The complex tariff rate regimes that resulted from the GATT Uruguay Round as part of national government's efforts should be eliminated from any future agreement that results from the Doha Round on discussions on agriculture.

  Complex tariff rate regimes only serve to create confusion for businesses because of the lack of transparency and localised interpretation that generally exists in the implementation of such regimes.

  Developed World countries should not be allowed to levy high tariffs on agricultural commodities that are sourced from the Developing World. High tariffs should be defined the future Doha Round agriculture agreement as those over 10% ad valorem.

  Developing World countries should be discouraged from using high tariffs to protect their agricultural markets from imports. The focus of Developing World government activity should be on facilitating the strengthening of local farmers' abilities and capacity to compete in free markets with imported products, which are often disadvantaged by higher distribution costs.

- **Recognising that non-tariff measures are damaging to market development and have negative impacts on consumers, markets and industries.**

  The provisions of the GATT Uruguay Round were negotiated in the same climate of fear that exists within the world's agriculture sectors today, i.e. the fear that *"opening up markets will destroy local businesses and the rural economy"*. Interestingly, at the time of the negotiations, the power of the multinationals, especially the retailers, was significantly weaker than it is today, hence the need for the new code of conduct recommended earlier in the briefing.

The scope of non-tariff measures and the liberalisation process embodied in past commitments evolved within this climate of fear and were influenced by the different levels of sophistication that existed within the capabilities of the different negotiators. This resulted in a variety of commitments:

- Some highly complex commitments that are not easily understood or dealt with/handled by businesses, both domestic and foreign; and
- Other commitments, more basic and highly user friendly for both domestic and foreign businesses.

Unfortunately, the highly complex commitments are generally underpinned by weaknesses in transparency arising from bureaucratic practices, including the variable interpretation of regulations by localised officials at Customs' border posts.

Future Special Safeguards should not be established under circumstances where they create opportunities for a lack of transparency in their macro management or variable interpretation by local officials. Ideally, Special Safeguards should be phased out of all Developed World Doha Round commitments on agriculture on an immediate basis or, at worst, through a phase-out period of no longer than 5 years after the date of signing of a future Doha Round agreement on agriculture.

- **Recognising that the phenomena of developing localised technical barriers to trade that fall outside the scope of CODEX in terms of the complexity is damaging to opening up agricultural markets and counterproductive to the goals of the Doha Round.**

Some new realities are developing for the world's agricultural sectors in both the Developed and Developing Worlds as a result of the world's legislators moving towards higher levels of technical barriers to trade through the localisation of food regulations.

The complex situation that is developing in some countries, e.g. Japan, has created challenges for coffee farmers in Indonesia and wheat farmers in the USA. The questionable ethical practices of some profit-oriented biotechnology companies have, justifiably, created a fragmented global regulatory system for genetically modified organisms. There is also the possibility that halal requirements will become more complex in future as the Muslim countries of the world become more sophisticated in developing policies towards halal. Today, there is already a considerable amount of debate within the Muslim world over the exact nature of the "halal doctrine".

It is imperative that the trend towards developing more complex localised food regulations should not be allowed to restrict the trade at a time when the Doha Round seeks to open up trade by eliminating or reducing the existing measures agreed under past negotiations over liberalising the agricultural product markets.

While CODEX exists and its impact on global food standards and regulations is significant, countries across the world treat CODEX in different ways:

- Some national regulators consider it a reference point when developing food standards and regulations;

- Others, adopt its provisions directly into their own regulatory systems; and

- Many in the Developing World have yet to develop a modern system of food standards and regulations.

The Doha Round of negotiations of agriculture need to enhance the strategic position of CODEX in the world's freer trading environment tomorrow, in particular as the foundation for food standards and regulations that are appropriate to compliance with any future agreement that results from the Doha Round negotiations.

What will be needed in a more open trading environment for agricultural products and their derivatives in future is a harmonised system of food regulations and standards that facilitates trade. What is not needed is a fragmented system of localised food standards and regulations that creates barriers to trade.

Any agreement that is reached under the Doha Round on agriculture must provide a very clear message that localised food standards and regulations should not be used in a manner that constitutes an unfair barrier to products that are in compliance with the international best practices that exist, and are being developed, under CODEX.

The provisions on CODEX and localised regulations in the future Doha agreement on agriculture should:

– Promote and encourage Developing World usage of CODEX as part of its efforts to develop entrepreneurial and market oriented farming and agricultural businesses;

– Require countries, both in the Developed and Developing Worlds, to ensure, and publicly justify, that their localised food standards and regulations do not constitute a barrier to trade within:

  ✓ The context of the globally oriented food health and safety goals of CODEX; and

  ✓ Future agreements towards free / freer trade under the future Doha Round agreement on agriculture.

- Require all countries that develop localised food standards and regulations that are more advanced than CODEX requirements to ensure that there is full and detailed transparency over the content of the localised regulations, including full access to technical documentation and advice on how to comply with the regulations within the context of free market access to the market that is affected by such non-standard regulations.

▫ **Recognising that support for farmers and their organisations in any part of the world should focus on facilitating development of their businesses as entrepreneurial and market-oriented businesses that can survive and thrive under free market conditions that are envisaged under the Doha Round will exist in the domestic and home markets in future.**

Although disagreements exist over the impact of the export marketing development organisations that operate for, and on behalf of, the farming communities of the Developed World, it should be recognised that these organisations do assist the farmers that they represent to develop stronger bargaining power within the challenging competitive market conditions that exist across the world.

Such marketing organisations also have a key role to play in countering any negative impacts that can and do arise for farmers from the activities of strong multinational and listed companies.

The challenge for future Doha Round discussions on export marketing development organisations arises from the extent to which such organisations constitute indirect subsidies from national governments.

Any future agreement under the Doha Round on agriculture should ban the establishment of export marketing development organisations that are fully funded by governments and managed by governments without any financial or other management or resource input from the farmers. Such organisations have little, if any, positive impact on the development of entrepreneurial and market-oriented farming businesses. The agreement should include a 5-year phase-out period for such organisations on a world-wide basis to facilitate the rapid development of independent and representative industry-lead organisations.

The Doha Round on agriculture should establish very clear documented guidelines on acceptable and unacceptable export marketing development organisations within the context of both the Developed and Developing Worlds. The future guidelines for these organisations should consider matters such as:

- Independence from governments;
- Ownership by farmers/industry;
- Democratic representation procedures for owners;
- Management responsibilities;

– The scope of activities, particularly their ability to trade for members and its potential to develop damaging monopolies either domestically or globally; and
– The permitted funding mix, i.e. government (taxpayer) funds to farmer/industry funds.

Benchmarks for the establishment of acceptable export marketing development organisations exist in the international principles for the establishment of democratic co-operative businesses and some organisations that exist in the Developed World, e.g. USA, Australia and New Zealand. The merits and demerits of these benchmarks should be discussed as part of

- The Doha Round negotiations on agriculture; and

- Related efforts to develop the WTO's guidelines for export marketing development organisations.

In addition to this, as part of efforts to develop agriculture that is entrepreneurial and market-oriented:

– All countries that are ranked as Developed Countries by the OECD and World Bank should be prohibited from using any form of local content subsidies in future.

– Any support measures proposed by the Developing Countries, as defined by the OECD and World Bank, will have to be justified on economic grounds, which can be audited and publicly reported upon by the WTO Secretariat, for and on behalf of the WTO members as a body.

– Export subsidies should be eliminated on a world-wide basis by all WTO members within a short timeframe, say 5 years after the date of any future agreement that is signed under the Doha Round on agriculture.

– There should be a continuing elimination of all domestic support measures that are listed in the Amber Box by both Developed and Developing countries.

  In view of the major differences that exist between the strengths, capabilities, resources and bargaining powers of the Developed World agriculture sectors and the Developing World, all Developed World programs that fall within the definition of the Amber Box should be:

  ✓ Phased out completely within 5 years of signing of a future Doha Round agreement on agriculture; and

  - ✓ Replaced with measures that develop entrepreneurial and market-oriented businesses and not market distortions, inefficient industries and aid dependent rural communities.

- One of the key goals of the Doha Round on agriculture should be to:

  - ✓ Restrict, on an immediate basis, the expansion of the criteria for Blue Box subsidies.

  - ✓ Eliminate, on immediate basis, the provisions that permit updating within the Blue Box so as to avoid future manipulative changes in subsidy programs.

  Ideally, the current Blue Box should be eliminated and all items transferred to the Amber Box on an immediate basis.

- "Green Box" subsidies should only be allowed when that payments being made provide:

  - ✓ Clear and auditable/publicly reportable benefits to small-holder farmers, rural economic development or the environment;

  - ✓ Verifiable/publicly reportable indirect benefits to development of the wider rural economy, e.g. improvements in the activity and incomes of businesses that support farming communities.

  Subsidy programs that are established under the "Green Box" should be subjected to periodic WTO Secretariat evaluation and public reporting of their impact based on the criteria that was established at the outset of the subsidy program to:

  - ✓ Assess the extent to which the goals of the subsidy program were met; and

  - ✓ That the program has not resulted in anything that is detrimental to the economy, government finances, the environment, etc, e.g. especially corrupt practices or the waste of government funding and resources.

  In view of the past excesses that have impacted on subsidy programs, a future agreement under the Doha Round should authorise the WTO to develop a new international code of conduct designed to provide guidance to WTO members on measures that should be incorporated in subsidy programs to avoid unethical practices, corrupt practices, wastage and other matters that are detrimental to the goals of such programs in future.

- All subsidies should be notified to the WTO each year and there should be full disclosure and public of:

  ✓ The reason for, and target organisations for, the subsidy;

  ✓ The amounts paid under the subsidy program; and

  ✓ The name of recipients that received the subsidies.

  In the interest of global transparency over future subsidy programs, the future agreement signed under the Doha Round on agriculture should:

  ✓ Require the WTO to maintain a register of annual subsidy notifications that is open to public scrutiny; and

  ✓ Require the WTO to audit the content of the annual subsidy notifications and make its audit report on the submissions available for public scrutiny, e.g. available on a WTO website.

▫ **Reiterating, without any preconditions or delays caused by negotiations between Developed World countries, that protection should be available to weak agricultural sectors and small-holder farmers in countries that are determined to be the world's least developed countries for a period of 10 years in order that measures can be taken to assist their farmers, agricultural businesses and farmers' organisations to develop an entrepreneurial and market orientation within the context of their domestic markets and viable potential that exists in the export markets.**

It is imperative that the world's least developed countries, and proposals or commitments being made towards them, should not become further embroiled in the bargaining activities between powerful Developed World countries or trading blocs.

In view of the failure of the initial 6-party talks and the potential for further delays in finalising the Doha Round on agriculture, it is important that all existing commitments to the world's least developed countries be incorporated on an urgent basis into an official side agreement of the WTO members that sets a practical framework covering:

- The scope of the side agreement, including definitions of least developed countries and naming the countries covered.

- The scope and terms of market access on a duty-free and quota-free basis, as has been offered by the Developed World.

- The scope and nature of transitional protection that is granted to sensitive industries bearing in mind any restrictions over protection based on cultural rather than economic criteria.

- Market liberalisation of the least developed countries under terms and conditions set by their own governments in consultation with their domestic farming industries and other WTO members that are funding aid programs in these countries.

- Capacity building aid for trade, inclusive of all ethical considerations over these activities, in particular on the conditions under which aid is provided.

- Other matters of relevance to improving access to international markets, such as alleviating barriers arising from technical regulations, e.g., the future impact of CODEX and localised food regulations on agricultural industries and exporters operating in the world's least developed countries.

- The timeframe for the side agreement, including future evaluations of the impact of the agreement, the phasing out of its transitional provisions and the side agreements relationship with any future mainstream agreement and codes of conduct/practice that will ultimately arise from the Doha Round of negotiations on agriculture.

7. The proposed "Jakarta Protocol", in Summary

The way in which the Doha Round negotiations on Agriculture are restarted in the post-July 2006 scenario of failed initial 6-party negotiations should formally recognise the need for:

1. Upfront recognition of the significant differences that exist between Developed World and Developing World agriculture to establish a more level playing field for negotiations and future trade.

2. Negotiating in good faith with full and transparent disclosure of negotiator constraints and preconditions arising from non-government interest groups.

3. Recognising that the concept of fair trade, in addition to free trade, should be recognised and considered in the negotiations on agriculture.

4. Recognising that the power of the multinationals and stock market listed companies within the context of their impact on global agriculture should be recognised in any future Doha Round agreement.

5. Recognising that the use of culture as a basis for protecting agricultural industries is damaging to the industry concerned and should be discouraged.

6. Recognising that aid provided to Developing Countries by the Developed Countries should not be designed to cause any form of distortion to the markets of farmers and their businesses and organisations operating in the recipient country.

7. Recognising that high tariffs are overtly protectionist and have negative impacts on consumers, markets and industries, both on a global and domestic basis.

8. Recognising that non-tariff measures are damaging to market development and have negative impacts on consumers, markets and industries.

9. Recognising that the phenomena of developing localised technical barriers to trade that fall outside the scope of CODEX in terms of their complexity is damaging to opening up agricultural markets and counterproductive to the goals of the Doha Round.

10. Recognising that support for farmers and their organisations in any part of the world should focus on facilitating development of their businesses as entrepreneurial and market-oriented businesses that can survive and thrive under free market conditions that are envisaged under the Doha Round will exist in the domestic and home markets in future.

11. Reiterating, without any preconditions or delays caused by negotiations between Developed World countries, that protection should be available to weak agricultural sectors and small-holder farmers in countries that are determined to be the world's least developed countries for a period of 10 years in order that measures can be taken to assist their farmers, agricultural businesses and farmers' organisations to develop an entrepreneurial and market orientation within the context of their domestic markets and viable potential that exists in the export markets.

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Stanton, Emms & Sia - Capability Statement

Who we are

Stanton, Emms & Sia (SES) is a specialist food and beverage market research and consultancy business. The firm is based in Singapore with research and consultancy resources in all South East Asian countries, China, Australia, New Zealand, Hong Kong, India, Japan, South Korea and Taiwan.

Our mission

Our mission is to help our clients to build strong positions in their target markets by:

- Assisting them to develop a commercially focused and coherent "big picture" of their customers and markets, including the basis of competition and forces and barriers affecting the markets.

- Providing them with clear and concise insight into their markets, especially their customers wants and needs.

- Assisting them to:

  - Identify profitable opportunities in their target markets in the East Asian region.

  - Develop strategies to:

    - Fully exploit the opportunities that have been identified in their target markets; and

    - Minimise their threats and weaknesses in their target markets.

  - Successfully build a sustainable long-term presence for their brands or products in their target markets.

We specialise in servicing clients in the food, drink and agrifood industries

SES focuses on the international industry and markets for food and beverages in Asia, our region. We offer our clients a full “food chain” consultancy service ranging from analysis of farm input usage to the strategic planning of business strategies in the international agricultural, food and drinks sector. Our experience covers the complete spectrum of food types from commodity to highly value added, generic to branded, fresh to processed.

SES maintains an on-going research programme, analysing and assessing key markets and underlying food, beverage and agribusiness issues that affect the Asia Pacific region now and in the future. Much of our work for clients is forward looking and interpretative. Our management team has been monitoring the region’s food, beverage and agrifood markets since the late 1980s.

The real value delivered to our clients is in the interpretation of what the research is telling us. The lack of skilled synthesis, analysis and interpretation is often the aspect which undercuts good market research performed by our competitors who operate without having a tangible presence in our region. Having researchers who are based in the country and aware of the trends and tone of the market is therefore invaluable. We believe our team has this proven track record.

What we offer

Our services to clients include:

- Business and marketing consultancy.
- Brainstorming, analysis and interpretation.
- Brand research.
- Business to business research.
- Consumer research.
- Cultural analysis in the food and drinks markets.
- Data collection in the field.
- Depth interviews.
- Desk research.
- E-mail interviews.
- Evaluations of marketing programs.
- Evaluations of advertising and promotional activities.
- Executive interviews.
- Face to face interviews.
- Fax-back interviews.
- Focus groups and other discussion groups.
- Hall tests.
- Industrial interviews.
- International research.
- Interactive research, including research workshops.
- Intercept interviews of consumers.
- Market observations.
- New product development support research.
- Strategic planning support research and brainstorming.
- Panels, ad-hoc research, including sensitivity panels.
- Positioning research.
- Postal surveys.
- Product testing.
- Qualitative research.
- Questionnaire design.
- Report writing and presentation development.
- Surveys, consumer and industrial.
- Syndicated research, including multi-client studies and surveys.
- Tactical research.
- Telephone interviews.

Our multi-client report program

We actively produce a number of multi-client studies each year as part of this research work. As a result, we regularly interview food manufacturers and processors, food importers and wholesalers as well as key decision-makers in some of the main retail groups. SES' advantage is that our research consultants actually know and understand how the local food industry actually operates and thinks.

Past multi-client studies have included:

- Beyond the Asian Economic Crisis: Marketing Processed Foods Under New Food Supply Chain and Distribution Scenarios in Developing East Asia.

- The Food Chain in South East Asia: Strategic Directions & Opportunities for Food Businesses.

- Our *Asian Dairy Series* of reports, which includes forward looking opportunity identification studies on the markets in Indonesia, Malaysia, Singapore, South Korea and Vietnam.

- Beer in Developing East Asia and China: Strategic Directions & Opportunities for Brewers.

Our clients

We undertake assignments for a wide range of clients, drawn from both the public and private sectors. Our client base includes some of the world's largest food, drink and agrifood businesses and includes the following entities:

- Multinational companies located in Asia, Australia, Europe and North America.

- Large national companies from Australia, UK, USA, South Africa, Japan and the Philippines.

- Smaller companies based in countries such as Australia, Malaysia and Singapore.
- Governments, government organisations and embassies of European and North American countries and Australia located in Asia and their home countries.
- Other entities, including co-operatives and societies, operating in Australia, Netherlands, Denmark, the USA and France.
- Food and agricultural research organisations located in Australia and the UK.

Contacting us

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