

EURASIAN BARGAINING, AGRICULTURE, AND THE DOHA ROUND

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Abstract

This article explores the participation of the Eurasian countries that have recently joined the World Trade Organization and are thus a part of the Recently Acceded Members (RAMs) coalition. The author argues that the active participation of these countries with small economies deserves attention in the WTO agricultural talks. Most studies focus on the leverage of the larger economies among the developing nations such as Brazil, China, India and South Africa. The article goes further to highlight that Eurasian countries have the ability to continue to push for flexibility provisions and can benefit from China's classification as a RAMs country. On the other hand, these same countries face the challenge of becoming more competitive in the international agricultural market. However, those challenges can be addressed through developing infrastructure, technology and skills to allow for smaller Eurasian WTO members to become efficient producers and competitive exporters.

Keywords: *Agriculture, WTO, Doha Round, RAMs, Bargaining, Development, Coalitions*

Introduction

Members of the World Trade Organization (WTO) discussed bringing the Doha Round of negotiations to a close by the end of 2010. The Doha Round, which began in 2001, was supposed to have been completed in Hong Kong in December 2005. However, the negotiations stalled due to the strong developing country resistance on the issue of agriculture. The ability of developing country bargaining coalitions (DCBCs) to counter the weight of the much larger economies of the United States and the European Union demonstrates their increasingly proactive and effective role in multilateral trade negotiations in ways that did not exist before.

DCBC refers to the strategic alignments of certain developing countries seeking to increase their collective bargaining power in the global economy. For instance, the G-20 was created in 1999 out of concern "that key emerging-market countries were not adequately included in the core of global economic discussion and governance."¹ Although it formed prior to the Doha Round, the G-20, led by

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¹ G-20, "About G-20," G-20, http://www.g20.org/about_faz.aspx (accessed May 17, 2010). The United States and the European Union as well as other developed nations are a part of the G-20. However, this particular coalition provides an equal voice for countries that are in the process of development.

Brazil, India, China and South Africa, exhibited its organizational strength during the Doha Round. The political weight of these developing countries with relatively large economies has been well documented.²

However, it is not only large economies in developing countries that are forming similar strategic alliances; developing countries with much smaller economies have also stepped onto the playing field. Nevertheless, their role has been marginalized in existing studies on DCBCs. For example, Constanti et al. highlight the bargaining coalitions such as the Cairns Group and the G-20, both of which consist mainly of the larger developing economies. One coalition consisting of much smaller economies is the Recently Acceded Members (RAMs), which draws membership from countries in Europe, Asia, Africa, the Middle East, and Latin America. The RAMs countries that are heavily involved in the agriculture negotiations and speak as one voice are the Eurasian countries of Albania, Croatia, Georgia, Jordan, Moldova, and the Middle Eastern country of Oman. China, which has carried significant political weight, is also a member of the RAMs coalition. This article explores the role of RAMs countries in pursuing their particular agricultural interests within the multilateral trading system. Additionally, the piece discusses what China's membership in the RAMs coalition could mean for the other RAMs countries, particularly those from Eurasia.

From Uruguay to Doha: The Evolution of DCBCs

Earlier agricultural trade talks often were a platform mainly for negotiations between Europe and the United States. As Dr. Robert Wolfe points out, "In the 1960s and 1970s, the Europeans and Americans skirmished over agriculture within GATT [General Agreement on Tariffs and Trade] while other countries stood on the sidelines, hoping that there would be a transatlantic bargain, and that it would be beneficial for them."³ In other words, developing countries played a passive role in the multilateral trading systems surrounding the issue of agriculture.

This trend continued throughout the Uruguay Round (1986-1994) of multilateral trade negotiations under the framework of GATT, designed to minimize trade distortion caused by agricultural support. Although the developed economies of the West have traditionally dominated multilateral trading systems in agriculture, they do not always have consensual viewpoints on these issues. For instance, the European Commission and the United States clashed over agricultural tariffs and subsidies, which was eventually resolved with the two countries signing the 1992 Blair House accord. This agreement encouraged reduction in agricultural subsidies and import tariffs in order to promote fair trade and encourage less trade distortion. Ministers from the remaining 123 GATT countries signed the accord in

²Diana Tussie and Miguel F. Lengyel, "Developing Countries: Turning Participation into Influence," in *Development, Trade, and the WTO*, ed. Bernard Hoekman, Aaditya Mattoo, and Philip English (Washington, D.C.: World Bank, 2002), 485-492; Ravi Kanth, "WTO: Advantage, G-20," *Economic and Political Weekly*, vol. 39:34 (Aug. 21-217, 2004): 3795-3797; Sandra Polaski, "Agricultural Negotiations at the WTO: First, Do No Harm" (policy brief, Policy Outlook, Carnegie Endowment for International Peace, Washington, D.C., June 2005); Jennifer Clapp, "WTO Agriculture Negotiations: Implications for the Global South," *Third World Quarterly*, vol. 27:4 (2006): 563-577; Costantini et al., "Bargaining Coalitions in the WTO Agricultural Negotiations," *The World Economy*, vol. 30:5 (2007): 863-891.

³Robert Wolfe, "New Groups in the WTO Agricultural Trade Negotiations: Power, Learning and Institutional Design," (commissioned paper, Canadian Agricultural Trade Policy Research Network, Ontario, Canada 2006).

1994. Nevertheless, developing countries viewed the agreement as “the collusion between the two agricultural superpowers” that failed to satisfy their particular interests.⁴

Inspired by their collective disenchantment with global agricultural trade talks, developing countries began forming organizations to promote fair agricultural trade during the Uruguay Round. Although agriculture constitutes less than 10 percent of the global merchandise trade, it nonetheless, still remains an important component of the economies of developing countries, since many of these countries have a comparative advantage in this sector and stand to gain the most if agricultural trade rules were fair and just. Additionally, a large portion of the populations in countries around the world depend on agriculture for their livelihood.

One of the trade alliances that emerged from the Uruguay Round in 1986 was a group of agricultural exporters from developed and developing countries called the Cairns Groups. Other coalitions that emerged during the Uruguay Round include the De la Paix Group and the G-10, in which Brazil and India played a powerful role. Simultaneously, developing country membership in the GATT increased from 66 percent in 1983 to 74 percent by the late 1990s.⁵ Overall, however, developing countries carried minimal influence.

During this period, the RAMs countries definitely were not organized at all due to the fact that they were not yet even members of the GATT. As a result, they lacked the kind of access and representation that was needed to shape multilateral agricultural trade policies.

The Uruguay Round concluded with GATT transforming into the World Trade Organization (WTO), which now administers the Uruguay Round Agreement on Agriculture. The next round of multilateral negotiations took place with the Doha Round.

By the start of the Doha Round in 2001 under the WTO framework, developing countries unarguably became far more organized and proactive than before. The goal of the Doha Round was to continue efforts to limit trade distortion. Additional bargaining coalitions formed in response to EU and US proposals on agriculture such as those presented at the 2003 Cancun Ministerial. Developing countries expressed frustration with these EU and US proposals that they said failed to address their main concerns—the reduction of subsidies and the lowering of tariffs on agricultural goods. These controversial proposals spawned the growth of a number of coalitions in 2003 such as the G-20, which pursued agricultural policy reform and flexibility for developing countries. At this time, developing countries accounted for 43 percent of total world agricultural trade.⁶ Some have argued that the DCBCs offer smaller countries an opportunity to carry more weight and gain access to additional resources in order to promote their own agenda alongside that of developed countries.⁷

Debates have focused on the influence of these DCBCs on the Doha Round of agriculture negotiations. The developing and agriculture exporting countries pushed for the developed countries to remove

⁴ Amrita Narlikar and Diana Tussie, "Multiple Access Points: Knowledge generation for the Group of 20," in *The Politics of Trade: The Role of Research in Trade Policy and Negotiation*, ed. Diana Tussie (Buenos Aires: Republic of Letters/Brill/IDRC, 2009).

⁵ Tussie and Lengyel 2002, 486.

⁶ Christian Bjornskov and Kim Martin Lind, "Where Do Developing Countries Go After Doha? An analysis of WTO positions and potential alliances," *Journal of World Trade*, vol. 36:3 (2002): 543-562.

⁷ Wolfe 2006; Narlikar and Tussie 2009.

export subsidies and liberalize their agricultural markets. The bargaining coalitions successfully stalled negotiations at the Cancun Ministerial resulting in an impasse. Brazil, India, China, and South Africa led the demands for fair agricultural trade. “Since Cancún, the old certainties about the structure and players in agriculture negotiations have been undermined,” writes Wolfe.⁸ Developing countries are no longer passive players in the process. The bargaining coalitions allow developing countries to demonstrate their political muscle by collectively refusing to sign onto agreements that may harm their particular interests.

Again, the controversy surrounding agriculture plagued the 2005 Hong Kong Ministerial. The developing countries expressed opposition to the EU and US proposals, which eventually resulted in the collapse of the negotiations. Nevertheless, DCBCs can be said to have utilized their collective bargaining resources effectively to ensure that they, too, shape the multilateral trading system.

The RAMs, another group of new players, have combined their collective resources to push for a defensive stance on agricultural trade. This newly formed coalition has also played a role in the multilateral trade negotiations pertaining to agriculture.

Small Economies of Europe and Eurasia and Agricultural Trade

Agriculture trade remains important for Eurasian countries. In 1999, earnings from self-employment accounted for a large share of household incomes, according to a World Bank report titled, “Social Protection Developments: Eurasian vs. European Approach.” The majority of that self-employment income came from the agricultural sector as well as from trade, as indicated in the same report.

The RAMs countries undertook serious commitments in order to become members of the WTO. This piece looks specifically at those countries that have become members since 2000 (Table 1). Some argue that those commitments in the areas of subsidies, tariffs, and quotas were more extensive than those taken on by members who joined the WTO during the Uruguay Round, as acknowledged in a May 2006 reference paper prepared for the Special Session on RAMs held by the Committee on Agriculture.

Table 1: Recently Acceded Members Since 2000

Country	Year of Accession
Albania	2000
Croatia	2000
Georgia	2000
Jordan	2000
Oman	2000
Moldova	2001
Lithuania	2001
China	2001
Taiwan	2002

⁸ See Costantini et al. 2007 for more on the distinctions between the Uruguay and Doha Rounds in terms of the active participation and effectiveness of coalitions composed of developing countries.

Armenia	2003
FYR Macedonia	2003
Nepal	2004
Cambodia	2004
Ukraine	2008

Note: Armenia and Georgia are also a part of the low-income economies in transition.

Many of the Eurasian countries are net importers of food, which already poses a challenge to the expansion of domestic agricultural production. Similarly, many of the countries have faced challenges adjusting to the open market and becoming competitive in the international export market. For example, Albanian agriculture only comprised 8.1 percent of its total export volume in 2003, and Macedonia's was 14 percent in 2006. Agriculture accounts for about 50 percent of Moldova's export. This means that agriculture is the country's most valuable export.

For Ukraine, another country in the RAMs coalition, the outlook is a little mixed. Ukraine's agricultural output has declined sharply from close to US\$45 billion in 1990 to less than US\$20 billion in 1998. However, in spite of this considerable decline, the agricultural sector contributes greatly to the gross domestic product and provides employment. Agriculture's GDP contribution among countries that make up the RAMs alliance ranged from 13 percent (Macedonia) to 24.7 percent (Albania) between 2003 and 2006. In some countries, these figures dropped dramatically. In the cases of Albania and Georgia, for instance, the figures dropped from approximately 50 percent of the GDP in the early 1990s to 24.7 percent and 16 percent respectively. The range of employment from this sector is 20 percent (Macedonia) to 60 percent (Albania) during the same time frame.⁹

The RAMs coalition has understandably adopted a defensive stance during trade negotiations. In other words, the countries seek to protect their domestic agricultural markets unlike the offensive coalitions that have an interest in increasing their market share. Because agriculture remains their most sensitive sector, RAMs' proposals before the WTO reflect their desire for more flexibility in terms of the tariff reduction schedule and time to adjust to the global economic trade. Croatia's former deputy minister, Damir Polančec, stated:

Therefore, taking into account the level of commitments made during the accession process Croatia believes that modalities in the area of agricultural market access should include specific flexibility provisions for RAMs, providing for a grace period after entry into force of these round results, exemption of low tariffs from further reduction, lower tariff reductions and a longer transitional period for implementation of the new commitments.¹⁰

This position was presented at the plenary session of the Sixth WTO Ministerial Conference in 2005.

⁹ These figures come from the Albanian Ministry of Economy, World Trade Organization, Eurostat, International Fund for Agricultural Development, Embassy of Moldova (Belgium), and the World Bank.

¹⁰ "Croatia supports multilateral trade negotiations: deputy PM," Xinhua General News Service, in the Lexis Nexis Database (accessed March 1, 2010).

The only result from the Hong Kong ministerial was an agreement to phase out all farm export subsidies by the end of 2013. However, an agreement on what to do about domestic farm support remained inconclusive.

Since the collapse of the Doha Round, the RAMs countries have continued to demonstrate their efforts to actively protect their interests during multilateral trade negotiations. In 2008, RAMs continued to push for flexibility for their members, meaning that they can choose products for which they could apply smaller tariff cuts as opposed to undertaking the deep cuts encouraged by the WTO (Table 2). RAMs are allowed to cut tariffs by only 5 to 10 percent. Any tariffs that are less than 10 percent are not eliminated. Very Recently Acceded Members (VRAMs) do not have to make any cuts at all (Table 3).

Table 2: Tiered formula for agricultural tariff cuts

	Developed		Developing	
Band	Range	Cut (%)	Range	Cut (%)
A	0-20	50	0-30	33.3
B	20-50	57	30-80	38
C	50-75	64	80-130	42.7
D	>75	66-73	>130	44-48.6
Average cut	Min	54%	Max	36%

Source: (Laborde, Martin, and Mensbrugge 2008)¹¹

Table 3: Special Formula for RAMs for Agricultural Tariff Cuts

	RAMs	
Band	Range	Cut (%)
A	0-20	5
B	20-50	5
C	50-75	10
D	>75	10

Notes: The countries that receive RAM treatment in agriculture are as follows: China, Croatia, Ecuador, Jordan, Mongolia, Oman, Panama, and Taiwan. The Very Recently Acceded Member (VRAM) countries in agriculture include: Albania, Armenia, Georgia, Kyrgyz Republic, Moldova, Macedonia, Saudi Arabia, Tonga, Ukraine and Vietnam.

Source: (Laborde, Martin, and Mensbrugge 2008)

As a result, the 2008 drafts incorporated their interests as is reflected in the following statement made on behalf of the RAMs countries: “We thank the membership for having recognized our special situation. The most recent draft texts...are helpful in addressing some of our legitimate concerns.”¹²

¹¹ David Laborde, Will Martin, and Dominique van der Mensbrugge, “Implications of the 2008 Doha Draft Agricultural and NAMA Market Access Modalities for Developing Countries,” <http://www2.ihis.aau.dk/simulation/docs/WTO-formula-impact-Laborde-et-al-2008.pdf> (accessed May 20, 2010).

¹² Statement on behalf of the Recently Acceded Members by the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu. 2008. Paper read at Informal Trade Negotiations Committee (TNC) Meeting, June 21, 2010, in Geneva, Switzerland.

RAMs and 2010 Agricultural Talks: Opportunities and Challenges

Thus far, the prospects for concluding the Doha Round appear dim. WTO Director General Pascal Lamy discussed the chances that the deal would be finalized but did not state definitively that the talks would be concluded by the end of 2010. “While a deal is ‘doable technically’ this year, Lamy said he ‘would not venture into a probability that this would be done politically,’” according to a Feb. 26th Wall Street Journal report. Nevertheless, the efforts to finalize the round and draw the agricultural talks to a close present a number of opportunities and challenges for the RAMs countries, specifically those from Eurasia.

Opportunities:

Minimize Trade Distortion. If the Doha Round talks on agriculture continue throughout 2010, it presents an opportunity for the smaller Eurasian economies to exert pressure on the multilateral trading system to protect their interests. For example, to ensure that trade distortion is reduced to minimal levels, RAMs will have the opportunity to continue to defend their interests and push for the reduction of EU and US subsidies for domestic farmers.

Strength of China. As pointed out earlier, China is both a member of the G20 and the RAMs groups. The presence of a country such as China that has demonstrated its political weight alongside other large emerging market economies--Brazil, India and South Africa--may prove beneficial to the other RAMs countries, including the smaller economies of Eurasia. China represents the fourth largest economy in the world behind the European Union, United States and Japan. Part of China’s agenda has followed a defensive strategy, which aligns with the positions of the Eurasian RAMs countries. For example, former Chinese commerce minister, Bo Xilai, and former agricultural minister, Sun Zhengcai, sent a joint letter to WTO officials signed on May 18, 2007, which stated:

For many years, due to the huge amount of trade-distorting domestic support provided by the developed members, the world price for agricultural products has been artificially depressed, adversely affecting the livelihood of farmers in developing countries....As the tariff structure of the developing members is quite different from that of the developed, they should be entitled to have different thresholds as well as different proportionate cuts....We strongly appeal to the Chair [Falconer] to spell out clearly in the text that RAMs are entitled to have less cuts and exemptions for some of their SPs [strategic products] so that the concerns of the RAMs will be effectively addressed and those imbalances between the RAMs and other members reduced.¹³

China has been politically influential in terms of stalling a deal that would allow the European Union and the United States to continue the use of trade-distorting domestic subsidies. Its status as a RAMs country may possibly offer weight to the smaller Eurasian countries on these same issues.

¹³ “China Makes Clear Positions on WTO’s Agriculture Trade Talks,” Business Daily Update, in the Lexis Nexis Database (accessed March 1, 2010). Brackets added by author.

Challenges:

Competitive Exports. A major challenge that the Eurasian countries face, regardless of whether or not the Doha Round comes to an end and a deal is struck, is the ability to compete. If the proposed 2008 formula described earlier is implemented and the European Union and the United States remove trade barriers, these countries may technically have guaranteed access. But so will a number of other countries. As long as these countries are net importers of food products, they will face the challenge of developing their agricultural industries to compete in export markets.

Conclusion and Recommendations

As I have shown here, the larger developing countries are not the only active challengers to the United States and the European Union regarding agricultural trade. Rather, smaller economies have also sought access and representation to such negotiations and have been effective. Their collective organization through RAMs is one such case.

These countries are new to the WTO but have already caught the wave of pro-active participation, which could either stall the negotiations or move the negotiations forward once again, albeit China has expressed views that it does not foresee the Doha Round talks on agriculture ending in 2010.

Regardless of the outcome in 2010, several approaches may assist the Eurasian countries in global agricultural trade. The flexibility provisions that allow for these countries to maintain many of their tariffs should not be used to support protectionism. Rather, these same countries should focus on mechanisms to improve competitiveness. Countries such as Albania and Moldova have improved their business environments by reducing trade barriers, according to World Bank reports. At the same time, these countries still face the challenge of creating an environment conducive for trade. Domestic efforts must be utilized to train farmers, support export-oriented products and develop the necessary transportation, technological, customs and legal infrastructure to allow producers to export products more efficiently in US and EU markets.