



TENTH MINISTERIAL CONFERENCE OF THE WTO: MAIN AGRICULTURAL OUTCOMES AND POSSIBLE IMPLICATIONS FOR THE AMERICAS

Prepared by:

Adriana Faría Inciarte

With the collaboration of James French, Joaquín Arias, Adriana Campos and Nadia Monge

Project: Competitiveness and Sustainability of Agricultural Chains for

Food Security and Economic Development

GLOSSARY

DDA: Doha Development Agenda

DEVELOPING

COUNTRIES. The WTO does not have a specific definition of developed countries and developing countries that it applies in its work. Each Member State chooses its own classification, i.e., decides whether it is a developing country. It is worth noting that the WTO currently has 162 Members, more than half of which are developing countries.

EU: European Union

IDB: Inter-American Development Bank

ICTSD: International Centre for Trade and Sustainable Development

IICA: Inter-American Institute for Cooperation on Agriculture

INTAL: Institute for the Integration of Latin America and the Caribbean

ITA: Information Technology Agreement

LAC: Latin America and the Caribbean

LDCs: Least Developed Countries. The WTO recognizes as LDCs those countries that have been classified as such by the United Nations. They are the countries with lowest socioeconomic indicators, especially according to the Human Development Index (HDI) (United Nations, 2007). Haiti is the only LAC country classified as an LDC.

NFIDCs: Net Food-Importing Developing Countries. Specific term included in the Marrakesh Decision, which gave rise to the WTO (1995)

RLEDCs: Relatively less economically developed countries

SDT: Special and Differential Treatment

SSM: Special Safeguard Mechanism

TTIP: The Transatlantic Trade and Investment Partnership, a proposed free trade agreement between the U.S. and the European Union currently under negotiation

WTO: World Trade Organization. Sole international organization responsible for standards governing trade among countries.

I. INTRODUCTION

The Ministerial Conference of the World Trade Organization (WTO) usually meets every two years and is the organization's most important decision-making body. Through it, the representatives of the Member Countries, working within a multilateral framework, adopt decisions by consensus related to international trade.¹

Since the WTO came into existence on 1 January 1995, ten Ministerial Conferences have been held to enable the governments of the Member Countries to discuss global trade issues and the gradual liberalization of trade. Subjects such as agriculture, sanitary and phytosanitary measures, access to markets of goods, textiles, services, government procurement and intellectual property are addressed in specific WTO agreements. The main purpose of the Ministerial Conferences is to provide a multilateral forum for the establishment of a work plan in the field of global trade.

It is very important that the WTO Member States understand and correctly apply the decisions taken at the Ministerial Conferences. In this regard, it is likely that the countries, especially the member countries of the Inter-American Institute for Cooperation on Agriculture (IICA),² will need to build capacity if they are to comply fully with the decisions adopted at WTO Ministerial Conferences, particularly those taken at the most recent, the Tenth Ministerial Conference, held in Nairobi (hereinafter, the Nairobi Conference). With that in mind, IICA held a technical forum entitled "The Ministerial Conference in Nairobi: outcomes for IICA member countries"³ to facilitate the information required by Member Countries to improve their agricultural policies and fulfill their multilateral commitments.

The participation in the event of a group of specialists (Ulla Kask,⁴ Débora Cumes,⁵ Eugenio Díaz-Bonilla,⁶ José María García⁷ and Timothy Josling⁸) enriched the activity and the preparation of this note⁹ is based on their technical contributions.

The conference held in Nairobi, Kenya from 15-19 December 2015 was chaired by Amina Mohamed, Kenya's Minister of Foreign Affairs and International Trade. It produced significant results in a number of areas of importance for world trade, especially in the field of agriculture.

IICA attaches special importance to the Nairobi Conference because of the partnership that exists between the WTO and IICA, and the meeting's bearing on the Institute's project *Competitiveness and Sustainability of Agricultural Chains for Food Security and Economic Development*.¹⁰ The agricultural outcomes of the Nairobi Conference are expected to lead to an overhaul of global agricultural trade. The objectives of this technical document, targeted at the academic, business and governmental communities of IICA's Member States, are therefore as follows:

General objective:

To analyze the agricultural outcomes of the Nairobi Conference and their possible implications for the countries of the Americas.

Specific objectives:

- Analyze the agricultural outcomes of the Nairobi Conference.
- Describe the agricultural outlook for the countries of the Americas in light of the outcomes of the Nairobi Conference.
- Analyze the challenges faced by the countries of the Americas as they prepare for the next WTO Ministerial Conference.¹¹

1. Refers to a situation in which several countries work together on a single aspect or issue.

2. All of IICA's Member States belong to the WTO except The Bahamas, which has applied to join the organization.

3. The Technical Forum was held on 21 April 2016. More information is available at the following link: <http://goo.gl/qZUti7>

4. Counsellor with the Agriculture Division of the WTO Secretariat.

5. Counsellor with Guatemala's Permanent Mission to the World Trade Organization (WTO).

6. External researcher for the International Food Policy Research Institute (IFPRI). He has worked, as both a member of staff and a consultant, for various international organizations, including IICA, FAO, the OAS and the World Bank.

7. Professor of Agricultural Economics at the Universidad Politécnica de Valencia (UPV); chair of the Group on International Economics and Development.

8. Member of the International Food and Agricultural Trade Policy Council, member of the American Association of Agricultural Economics since 2004, and former chair of the Executive Committee of the International Agricultural Trade Research Consortium.

9. Prepared by IICA's Adriana Faría Inciarte.

10. Trade is addressed under component 1 of the flagship project on agricultural chains, entitled Policies and the Institutional Framework for the Competitiveness of Agricultural Chains. One of the hemispheric-level deliverables of this component is the production of technical documents designed to enhance the countries' ability to manage policies and strengthen their institutional framework.

11. The WTO's Eleventh Ministerial Conference is scheduled to take place in December 2017.

II. POST-BALI: THE AGRICULTURAL SITUATION PRIOR TO THE NAIROBI CONFERENCE

Nairobi was the first Ministerial Conference to be held in Africa since the WTO came into being. With the Doha Development Agenda (DDA) still under negotiation,¹² the Nairobi Conference was viewed as an opportunity to obtain the first concrete results since 2001, when the Ninth Conference was held in Bali, Indonesia.¹³

The decisions adopted by the Member Countries in 2001, set out in the so-called “Bali Package,” include mandates related to trade facilitation,¹⁴ aspects of development, including food security in developing countries; matters concerning cotton and other provisions for the least developed countries (LDCs). The Bali Package also contains a political commitment by the countries to reduce export subsidies¹⁵ in agriculture and keep them at low levels, in addition to reducing technical barriers to trade when agricultural products are imported within the tariff quota framework¹⁶ (WTO, 2001).

The commitments contained in the Bali Package are divided into two groups: decisions related to the work of the WTO, and others directly related to the DDA, which includes the agricultural negotiations. Therefore, emphasis will be placed on the agricultural outcomes, which provided the basis for the negotiations at the Nairobi Conference.

The Bali Package contains decisions grouped together under the following specific agriculture-related headings:

1. General Services programs:¹⁷ these incorporate land reform and rural livelihood security. They are particularly important “to enable a number

of developing countries to achieve the objectives of rural development and poverty alleviation” (Ramírez, 2013). At the Ministerial Conference in Bali (hereinafter, the Bali Conference), a series of actions were agreed upon that fall within the green box,¹⁸ including land rehabilitation and resource management, rural employment programs, and drought management and flood control, among others.



12. Program launched by the ministers of the WTO Member Countries during the Ministerial Conference held in Doha, in November 2001. In general, it consists of a work program that reflects the commitment to assist developing countries. Its components include the dimension of development, technical assistance and capacity creation, market access, the application of standards, and dispute settlement. Its objective is to foster the liberalization of trade as a key factor in Member Country development. (McGuirk, 2002)

13. More information on the Bali Conference is to be found at <http://goo.gl/aQddHJ>

14. The Trade Facilitation Agreement (included in the Bali Package) contains provisions intended to facilitate the movement, release and clearance of goods, including goods in transit. It also contains measures to promote cooperation among customs authorities; and technical assistance and capacity building aimed at trade facilitation. (WTO, n.d.)

15. They are the most trade-distorting agricultural policy measures. The use of export subsidies reduces exporting countries' income from agricultural exports, and hurts the domestic production of countries that import agricultural products (WTO, 2000). Such measures adversely affect both developed and developing countries.

16. The amber box includes domestic support measures to which caps apply. Since they are regarded as distorting production and trade, it is anticipated that the use of measures of this kind will be limited or reduced (WTO, n.d.).

17. A set of policies designed to provide services or advantages to agriculture or the rural community. Such programs may consist of training services, research, pest and disease control efforts, or marketing and promotion, among others.

18. According to the terminology employed by the WTO, subsidies are identified by “boxes” named after the colors of traffic lights. In the case of the agriculture sector, the measures included in the green box are “permitted” (WTO, n.d.).

2. Public stockholding for food security purposes: this is one of the most important outcomes of the Bali Conference. The Ministerial Decision establishes that “When governments buy food from farmers at supported prices to build up stocks, that counts as “Amber Box” domestic support,”¹⁹ (WTO, 2013). However, as the developing countries held to their position that it was very difficult to keep within the established limit, a working group was set up aimed at negotiating an agreement that would provide a definitive solution to the dispute.
3. Administration of tariff quotas:²⁰ the countries have expressed concern at the possible mishandling of the distribution of tariff quotas, which can create trade barriers. At the Bali Conference, the countries clarified how the terms contained in the agreement should be interpreted; and surveillance and monitoring mechanisms were established to prevent traders from using the quotas assigned for their own benefit, and to avoid “underfill,” when part of a quota remains unused. (Ramírez, 2013).
4. Export competition:²¹ this issue has always been high on the agenda of the multilateral negotiations on agriculture. Member Countries recognized the efforts being made to reduce policies that include subsidies and other advantages gained from export credit. Mechanisms were also put in place for information sharing and monitoring and follow-up to promote the reform related to the efforts to eliminate all forms of export subsidies. (WTO, 2013)

Thus, the Bali Package established an encouraging scenario for the Nairobi Conference. Despite the various criticisms made of the multilateral trading system, the Member Countries achieved good results following a successful round of negotiations. According to Alejandro Jara²² (2013), the Bali Package could be viewed as a platform

for resuming the negotiations in the areas that remain pending under the DDA, especially in the field of agriculture. (ICTSD, 2013).

III. THE MAIN OUTCOMES OF THE NAIROBI CONFERENCE IN RELATION TO AGRICULTURE

The Nairobi Package contains six Ministerial Decisions: three related to agriculture, one on cotton²³ and two concerning LDCs. In the case of the agriculture sector, the Nairobi Package includes commitments linked to export competition, the establishment of a special safeguard mechanism (SSM),²⁴ and public stockholding for food security purposes.



19. The amber box includes the internal assistance measures that are considered to be distortionary to production and trade, with a few exceptions. However, these measures can be applied, but are subject to the limits established under the Agriculture Agreement (WTO).

20. As provided for by the WTO, this is an instrument for controlling trade that limits the quantity of a given product that is imported or exported. Specifically, it involves the application of a lower tariff to a particular quantity of an imported good. A country may exceed the quantity that it imports but must pay a higher rate (Campos and Monge, 2014).

21. These are export subsidies and “parallel” measures that could provide loopholes for governments’ export subsidies and other related commitments. The WTO considers that “Price and quality are the only fair means of export competition and it is unfair to support exports through subsidised prices or subsidised terms of payment.” (WTO, 2000)

22. Former Ambassador of Chile to the WTO; former Deputy-Director of the WTO; and Senior Counsel at King & Spalding LLP (Geneva, Switzerland).

23. The WTO treats cotton as a specific issue but this note focuses on agrifood products. For more information about cotton in general, visit the following page of the WTO website: https://www.wto.org/english/tratop_e/agric_e/cotton_e.htm. For further information about cotton in the Nairobi Package, see the ICTSD report at the following link: <http://goo.gl/YXa2UC>.

24. A special safeguard mechanism is an instrument that allows developing countries to raise tariffs (taxes on imported goods) temporarily in specific circumstances, e.g., when there is a sudden increase in imports or a drop in international prices.

A. Export competition

The Ministerial Decision on export competition includes commitments with regard to export subsidies and financing, and the operation of state trading enterprises and food security.

- *Export subsidies*

The most important result of the Nairobi Conference was the elimination of agricultural export subsidies contained in Ministerial Decision WT/MIN(15)/45-WT/L/980. This had been one of the demands of developing countries, including Latin American and



Caribbean (LAC) nations, since the beginning of the Uruguay Round²⁵ in 1986. Several Member Countries currently use export subsidies to support agricultural exports. The legally binding decision is designed to eliminate such subsidies and thus prevent the distortion of trade.²⁶

Specifically, the Nairobi Package “commits developed countries to end immediately all export subsidies,” while “developing countries would have to phase out their own use of export subsidies by the end of 2018.” (Hepburn, 2016). This is to be accomplished taking into account two key points:

- 1) Schedule for the elimination of subsidies: this establishes different dates that the Member Countries must observe. Most subsidies would be eliminated by the final date (2030). However, certain conditions and exceptions were established that must be taken into account, as well as specific guidelines for LDCs, developing countries, and net food-importing developing countries (NFIDCs).²⁷
- 2) Conditions linked to the elimination: in the case of developed countries, they apply only to processed products, dairy products, and swine meat.

In addition, export subsidies must have been notified in one of the three most recent notifications examined by the Committee on Agriculture²⁸ (before the date on which the Ministerial Decision was adopted). Furthermore, no export subsidies may be applied to new markets or new products. The Ministerial Decision also contains commitments regarding measures designed to ensure that other policies are not used as a hidden form of subsidy. Such policies include limitations on the benefits of financial support for agricultural exporters, rules governing state enterprises involved in agricultural trade, and provisions designed to ensure that food aid does not negatively affect national production.

25. The 1986 Uruguay Round was the first round of trade negotiations, in which 123 countries took part, prior to the creation of the WTO. The Uruguay Round led to a major overhaul of the global trading system and the adoption of the WTO's multilateral trade agreements.

26. Put simply, trade is distorted if “prices are higher or lower than normal and if quantities produced, bought and sold are also higher or lower than normal – i.e., than the levels that would usually exist in a competitive market” (WTO, n.d.) For example, export subsidies can push up prices in a country's internal market. The higher prices can encourage over-production, which fosters the sale of production surpluses on world markets where prices are lower.

27. According to the Committee on Agriculture's document G/AG/5/Rev.10, the LDCs recognized as net food-importing countries include the following IICA members: Antigua and Barbuda, Barbados, Dominica, El Salvador, Grenada, Honduras, Jamaica, Peru, Dominican Republic, St. Kitts and Nevis, St. Vincent and the Grenadines, St. Lucia, Trinidad and Tobago, and Venezuela (WTO, n.d.). Countries apply for inclusion in the list of NFIDCs and must support their request with data and other required information. Even though these countries export agricultural products, it should be borne in mind that not all agricultural products are food.

28. The WTO Committee on Agriculture handles agricultural matters. It oversees implementation of the Agreement on Agriculture and members can consult it about issues related to the fulfillment of their commitments. It reports to the WTO Council for Trade in Goods.

- *Financing of exports*

The Ministerial Decision also defines the financing of exports, whether in the form of export credits, export credit guarantees or insurance programs. The potential instruments mentioned include direct financing support, risk cover, government-to-government credit agreements, or any other form of direct or indirect governmental or public support. (Kask, 2016)

The decision also established that, in the case of developed countries, the maximum repayment term for credits should be no more than 18 months. However, the terms of what is known as special and differential treatment²⁹ (SDT) were amended. The decision of the Member Countries establishes that SDT is only intended to provide a longer timeframe for fulfilling commitments and that the final point that must be reached is the same for all member countries.

- *State trading enterprises*

With respect to state trading enterprises, members “shall ensure that agricultural exporting state trading enterprises do not operate in a manner that circumvents any other disciplines contained in this Decision” (ICTSD, 2015). Enterprises that effectively subsidize exports will not be allowed to do so once the terms have expired. In the text of the Ministerial Decision, Member Countries are also asked to make every effort to prevent any monopoly power³⁰ exercised by such enterprises from distorting trade.

- *Food aid*

The WTO is not an organization that provides food aid but its work is carried out through the establishment of disciplines. As a result, the Member Countries agreed to establish general and specific commitments. The general commitments include measures to ensure that the delivery of available food aid in emergencies is not impeded unintentionally. Specific commitments, on the other hand, include measures designed to ensure that a real need exists in the recipient country; and that donor Member Countries do not use international food aid to offload their surpluses. Under this scheme, food aid should not be re-exported and or be linked to commercial or profit-making objectives. (Kask, 2016)



Another specific commitment concerns the monetization of food. Monetization is not prohibited outright. Monetizing food aid means that “donor countries sell in-kind food in recipient countries to raise funds for use in development projects.” (ICTSD, 2015) The disciplines related to monetization establish certain conditions, for example, that the monetization of aid can be used if it is necessary for the purpose of transport and delivery of food assistance, or to redress food deficit requirements or insufficient agricultural production, among others.

It is the first time that commitments related to the monetization of food aid have been included. Part of the Ministerial Decision also establishes that donor countries should undertake a prior analysis of the local market of the beneficiary country, and employ commercial entities to monetize the assistance. Furthermore, for the first time recipient countries may decline the assistance. (Kask, 2016)

29. The WTO agreements contain special provisions under which developed countries can treat developing countries more favorably than other WTO members. These special provisions include longer time periods for fulfilling commitments, measures to increase trading opportunities for developing countries, and assistance for WTO developing country members, among others. (WTO, n.d.)

30. In economics, a monopoly occurs when a single enterprise supplies a good or service. The difference in a competitive market is that the enterprise in question has total control over the price of the good or service (Triunfo, n.d.).

B. The special safeguard mechanism (SSM)

The Ministerial Decision WT/MIN(15)/43-WT/L/978 establishes that “the developing country Members will have the right to have recourse to a special safeguard mechanism (SSM) as envisaged under paragraph 7 of the Hong Kong Ministerial Declaration.”³¹ (ICTSD, 2015) That paragraph establishes that developing country members have the right to raise tariffs temporarily in the event of a sudden surge in import volumes or a price depression.

The Member Countries also agreed to pursue negotiations on an SSM for the developing countries under the aegis of the Committee on Agriculture. That committee holds work sessions with the Member States to discuss specific subjects, including the SSM.

However, countries that export agricultural products expressed disagreement with the SSM. They insisted that a special safeguard mechanism should only be negotiated in the context of a broader deal on market access. This is because they fear that higher tariffs will be used to restrict access to the present markets of countries that export agricultural products. (Hepburn, 2016)

C. Public stockholding for food security purposes

Some developing countries use public stockholding programs to purchase food at administered prices and distribute them among the poorest members of the population. However, while food security is a legitimate policy objective, stockholding programs are considered to distort trade “when they involve purchases from farmers at prices fixed by the governments, known as “supported” or “administered” prices.” (WTO, 2015)

At the Bali Conference, the Member Countries reaffirmed their commitment to continue the efforts to find a permanent solution to this problem. However, the Ministerial Decision of Nairobi does not contain anything particularly new compared with what was negotiated in Bali.



Since the Bali Conference, the Member Countries have submitted proposals aimed at finding a permanent solution. One idea was proposed by the G-33, which suggested, “transferring the support provided under such programs to the green box (which includes domestic support for agriculture that is permitted and not subject to limits because it does not have distortive effects on trade).” (WTO, 2015) However, other Member Countries disagree and believe that the use of administered prices can have unforeseen consequences for international trade and the food security of other members.

As a result, Ministerial Decision WT/MIN(15)/44-WT/L/979 includes a commitment for the Member Countries to continue their efforts to find a permanent solution to this issue, with consideration to be given to a final proposal at the Eleventh Ministerial Conference in 2017. It also reaffirms the obligation to continue the negotiations in special sessions of the Agriculture Committee and in dedicated sessions not linked to other issues such as domestic support.³³

31. The Sixth Ministerial Conference of the WTO was held in Hong Kong, China, from 13-18 December 2005.

32. Also known as the “Friends of Special Products” in agriculture. It is a group of developing countries pressing for flexibility for developing countries to undertake limited market opening in agriculture (WTO, n.d.).

33. Support provided by national governments to the agriculture sector. There are two categories of domestic support: support that does not distort trade or has a minimum impact (green box); and support that distorts trade (amber box) (WTO, n.d.).

Therefore, it was agreed that these negotiations remain outside of the negotiations on agriculture under the DDA. The Member Countries are divided on this point because some States favor separate negotiating tracks for certain issues, while others deem it more advisable not to decouple negotiating topics like market access. (Kask, 2016)

Finally, it is important to point out that the WTO Committee on Agriculture is the body responsible for monitoring and ensuring that Member Countries fulfill their commitments with regard to export competition. It also ensures the continuation of the negotiations in specific debates (dedicated session on export competition), conducts the annual appraisal of the provisions on international food aid and, once every three years, studies the disciplines related to the commitments assumed in Nairobi.

IV. POSSIBLE IMPLICATIONS FOR THE COUNTRIES OF THE AMERICAS

The most significant outcome of the Nairobi Conference was, without a doubt, the agreement reached on export competition. Following years of negotiation, Member Country ministers agreed to reduce export subsidies gradually by a specific date. However, the matter of most concern is the economic importance of Nairobi for the agricultural sector.

Considering the heterogeneous characteristics of countries in the region, it is possible to envision scenarios based on the decisions taken in Nairobi. The matters addressed in the Nairobi Package, and the possible implications for the countries of the Americas, are therefore discussed below. The areas concerned are export competition, the special agricultural safeguard, and public stockholding for food security purposes.

A. Export competition

- *Export subsidies*

The section of the Nairobi Package dealing specifically with export subsidies is one of the most important for

LAC, since the region is the world's biggest agricultural exporter. The elimination of export subsidies was a priority for countries like Argentina, Brazil, Chile, Colombia, Costa Rica, Guatemala, Paraguay, Peru, and Uruguay. The adoption of this measure makes it possible to "achieve a level playing field for agricultural trade, so that highly competitive companies and countries can participate in trade successfully." (González, 2016).

However, an analysis carried out by the Institute for the Integration of Latin America and the Caribbean (INTAL), of the Integration and Trade Division of the Inter-American Development Bank (IDB), found that the actual effects of the measures related to the elimination of subsidies would not be felt in the short term. Specifically, because "the type of subsidies that were banned (direct budgetary outlays to producers on the condition that the product crosses the country's borders) have already been reduced over the last 15 years" (Mango, 2016).

However, these measures were not sufficient to reduce competition in global agricultural markets. This is because various subsidy-related practices, such as credit guarantees, were not banned but simply regulated. Furthermore, it is estimated that domestic support in developed countries grew or remained constant. Evidence of this is to be found in an exception contained in a footnote in the Nairobi Package allowing developed countries to continue to make payments for dairy products, swine meat, and processed products until 2020 (Hepburn, 2016). However, the developed economies governed by the clause made a commitment not to increase the amount of products that will benefit from the measure or to subsidize exports destined for LDCs.

The position of developed countries like the U.S. and the members of the European Union (EU) was positive for achieving consensus on the elimination of export subsidies. It is a gain for the U.S., as it was one of the leaders of the G-20³⁴ that wished to eliminate them. (Josling, 2016). Nor is the issue of export subsidies is very important for the European Union, considering that it has not applied them since the 1980s.

Moreover, in the event of a fall in agricultural commodity prices (which is feasible in the years ahead), the possibility of granting export subsidies will be reduced. This would benefit the developing countries, because they would not be in a position to subsidize their agricultural exports if the prices of agricultural goods fell. (Díaz-Bonilla, 2016)

34. Coalition of developing countries pressing for ambitious reforms in agriculture in the developed countries, with flexibility for developing countries (WTO, n.d.). This group is different from the G-20, made up of ministers of finance and governors of central banks.



In short, the decision concerning the elimination of export subsidies does not significantly affect the current situation of global agricultural trade. This is because the vast majority of developed countries were in the process of eliminating export subsidies even before the Nairobi Conference. However, as subsidy practices like export credit were not eliminated, but merely regulated, the negotiations should continue to prevent practices of this kind from becoming trade-distorting measures.

- *Export credits*

The discussion regarding export guarantees and credits should continue. The LAC countries currently receive roughly 50% of the credits but most are not experiencing budget or balance of payments³⁵ problems that make them necessary. However, in the event of an economic downturn³⁶ such credits could promote markets that were restricted. (Díaz-Bonilla, 2016).

Consequently, Member Countries should continue the negotiations on this issue with a view to fostering practices that do not distort trade.

- *State trading enterprises*

The importance of the issue of state enterprises varies: for some developed countries, such as the U.S., it is not a big problem; and Canada is currently working to eliminate the limitations that exist in the country. (Josling, 2016)

On the other hand, the issue is an important one for developing countries. The LAC countries should participate in the negotiations, as most state enterprises are to be found in developing countries (Díaz-Bonilla, 2016). It is also important to ensure transparency, monitor the information-sharing efforts of such enterprises, and improve the WTO notification process. In addition, the countries should bear in mind that state trading enterprises involved in importing are responsible for most trade distortion, not those engaged in exporting.

35. A country's balance of payments "is an accounting document that records all economic transactions between the residents of the country and the rest of the world" (Pérez, 2010). Put simply, a positive balance of payments is when exports exceed imports, while a negative balance of payments is when imports are greater than exports.

36. Decrease in economic activity over a period of time. In this case, Díaz-Bonilla is referring to the possible fall in agricultural prices.

- *International food aid*

In the case of international food aid, conceptual limitations exist that make it difficult to identify the recipient countries that actually need assistance.

At the present time, there are other conceptual categories besides developed members, developing members and/or LDCs. The relatively less developed countries or relatively less economically developed countries (RLEDCs) are a case in point. In general, RLEDCs «display two basic characteristics: less development and a smaller domestic market than the other countries involved in the same integration mechanism.» (FLACSO, n.d.) However, it should be noted that there is no single criterion or set of standardized indices accepted by the international community for determining a country's relative development. Instead, studies are carried out using a variety of criteria and indices.

A study conducted by Díaz-Bonilla using the cluster analysis³⁷ technique makes reference to RLEDCs. According to the findings, if food security is the main international concern, the LAC countries fall into the food insecurity category. This conclusion was reached based on 10 different categories of food insecurity and conducting various analyses to identify countries from the most secure to the most insecure. The results suggest that most insecure countries are those that are relatively less developed but some States that are not also fall into the category of insecure countries.

Thus, although the Nairobi Package establishes general and specific commitments on the issue of international food aid, the negotiations should continue to ensure that the heterogeneity of the Member Countries does not result in food aid being used inappropriately.

B. Special safeguard mechanism

It is understood that developing countries will have the right to apply the special safeguard mechanism to afford low-income farmers a degree of protection against the volatility of international agricultural markets. This was one of the key demands of the G-33 countries, as “small farmers, the backbone of the agricultural systems of the developing countries, do not have effective safeguards

against volatile price movements in agricultural commodities.” (Dhar, 2016).

As a result, developing countries maintain their right to apply the SSM, provided they meet the specific requirements of collecting objective scientific information to support its use. This is necessary to prevent measures being imposed that unjustifiably undermine and hinder free trade among the Member Countries.

The right to apply the SSM is an extension of the use of the safeguards clause of the General Agreement on Tariffs and Trade (GATT)³⁸ to agriculture. However, the use of the SSM is limited and available to a small group of developing countries³⁹ that converted the nontariff barriers⁴⁰ imposed on specific products in the pre-WTO phase into tariffs, a process known as “tariffication.” For that reason, countries that do not enjoy that right argued that the mechanism should be broader in scope than at present, especially in terms of the products covered. (Dhar, 2016)

However, developed countries like the U.S. have repeatedly stated their disagreement with measures of this kind, viewing them as a way for developing countries to raise tariffs above WTO-permitted levels. Josling (2016) referred to this as a defeat for the U.S. during the negotiations.

C. Public stockholding

The developed and developing countries also have differing opinions on the question of public stockholding. Nations like the U.S. disagree with such measures, claiming they are used to increase support for farmers and the agricultural sector in general. Furthermore, developing countries have argued that the way in which farm subsidies are currently calculated at the WTO “fails to take into account the impact of price inflation that has occurred since reference prices were established in the multilateral agency over two decades ago.” (Hepburn, 2016)

The fact that the Member Countries reaffirmed their intention to continue the negotiations shows that their positions have not changed significantly since the Bali Conference. As far as public stockholding is concerned, the Agreement

³⁷ Cluster analysis is a technique used to group elements or variables together, endeavoring to achieve the maximum homogeneity of each group and, at the same time, the biggest possible differences between groups (Terrádez, n.d.).

³⁸ The General Agreement on Tariffs and Trade (GATT) was the agreement drawn up during the Havana Conference in 1947, signed by 23 countries, aimed at establishing a set of trade guidelines and tariff concessions. The GATT was the precursor to the WTO.

³⁹ Only 39 WTO Member Countries have the right to use the SSM. Twenty-three of them are developing countries (Dhar, 2016).

on Agriculture is applied exclusively to programs under way since the adoption of the Ministerial Decision of Bali on 7 December 2013. Programs must be consistent with the criteria included in the agreement and the introduction of new public stockholding programs is not ruled out. (Glauber, 2016)

Finally, the decision on this subject is now a Ministerial Decision. There is a non-temporary interim peace clause,⁴¹ which means that final agreement on the matter is expected in the next round of negotiations.

V. CHALLENGES FACED BY THE COUNTRIES OF THE AMERICAS IN PREPARING FOR THE NEXT WTO MINISTERIAL CONFERENCE

The Nairobi Conference allowed the governments of the WTO Member Countries to reach agreement on a series of issues that are important for agriculture. However, other important matters related to international agricultural trade have yet to be resolved. Therefore, it is possible to identify a series of challenges for the countries based on the implementation of the Nairobi Package and in the run up to the next WTO Ministerial Conference in 2017:

1. One of the main challenges faced by developing countries is greater recognition by other WTO Member Countries. For example, Guatemala, the coordinator of the Group of Small, Vulnerable Economies, is seeking greater recognition of SDT, and differentiation between large and small developing countries. It is argued that such differentiation is necessary because developing countries cannot compete on equal terms and conditions due to differences in size. (Cumes, 2016).
2. For many countries, especially the LAC economies, the political and economic cost of participating in the Nairobi Conference was considerable. According to Cumes (2016), the delegations of some countries that took part in the negotiations were small because of the high costs involved, adversely affecting the parallel negotiations (and not only in agriculture). This is a major challenge for

small countries that are unable to participate in the multilateral sessions as they lack sufficient financial resources and human capital.

3. The absence of consensus among the Member Countries with regard to the conceptualization of domestic support. This is one of the issues on the negotiating agenda that remains unresolved and is very important for the crafting of policies. For example, in the U.S., the new farm bill established measures to convert direct payments to farmers into other types of domestic support included in the amber box. In contrast, the EU's reformed agricultural policy, hailed as "the greening of European agricultural policy," calls for the elimination of export subsidies, but includes direct payments for farmers. Specifically, the direct payments are:

decoupled payments that do not have trade-distorting effects but could lead farmers to decide to continue production; without such payments, production could disappear and thus have a distorting effect. (García, 2016)

Therefore, domestic support continues to be one of the issues pending for negotiation under the DDA. It is believed that the internal pressures exerted by ecological groups, environmentalists, and organized civil society will ultimately be what determine the modification of agricultural policies and result in the Doha agenda being concluded with concrete results.

4. Improving the conditions of market access is important for the LAC countries, as the belief that the application of subsidies or domestic supports will expand production and trade is erroneous. Practices of this kind actually "generate a great deal of protection and only give limited access, which is not advisable because it creates distortion." (Díaz-Bonilla, 2016)
5. Further declines in agricultural prices would be a challenge for WTO Member Countries because under the previous arrangement they could grant around USD 11 billion in export subsidies when prices were low, displacing about the same value of agricultural exports from countries that do not apply subsidies, most of which are developing nations. In the new scenario, "the possibilities of

40. Also known as nontariff barriers. They include a series of nontariff measures that can be obstacles to free trade, such as red tape, import licensing and the valuation of goods at customs, among others.

subsidies are reduced but not eliminated, thanks to the transition period imposed as part of the terms of the WTO.” (Díaz-Bonilla, 2016)

6. The effect of macroeconomic policies (including monetary policies) should not be overlooked, as they can affect trade more than trade policies. (Díaz-Bonilla and García, 2016). In addition to the political and economic aspects, macroeconomic measures like exchange rates have a big impact on exports; as a result, they should be reviewed and monitored by the countries. In particular, the international community needs an opportunity to analyze the question of exchange rates. (Díaz-Bonilla, 2016)
7. The proliferation of negotiations and the signing of regional trade agreements also look set to pose a major challenge for Member Countries. There are two aspects to this point: firstly, countries use regional trade agreements to establish more open trade relations, fostering the elimination of tariffs on given products and promoting commercial, cultural, and political exchange. A case in point is the U.S. position regarding the expansion of the Information Technology Agreement (ITA) in the negotiations that took place parallel to the Nairobi discussions. The ITA serves as a multilateral platform for implementing regional trade agreements on trade in e-products, an aspect that is of the utmost importance for countries like the U.S. (Josling, 2016)

However, the proliferation of regional trade agreements could end up undermining the pillars of the multilateral trading system, because agreements of that kind tend to favor the interests of regional forces or the most powerful countries. (García, 2016). Without a level playing field, the negotiating strength of each region and each country would prevail and set the pace of the negotiations on market access. An issue as important as market access would be decided more by negotiating capacity than a multilateral consensus and a stable institutional framework, characteristics offered by the WTO. The process of negotiating the Transatlantic Trade and Investment Partnership (TTIP) is an example of what is likely to occur.



8. The Member Countries face the challenge of including issues that were not covered in Nairobi in the next WTO Ministerial Conference. They must also endeavor to define a post-Nairobi work program that includes all the sensitive areas and interests of the Member Countries, key elements for the next round of negotiations. Lastly, they need to establish a structure that everyone agrees upon, as some countries favor the incorporation of new issues, while others are opposed to the idea.

At the end of the day, the challenges facing the countries are to keep the multilateral trading system alive, evaluate the results achieved, and establish specific work programs with a view to resolving outstanding issues. A transparent process inclusive of all Member States is required, to strengthen the work of the WTO as the entity responsible for regulating world trade.

VI. BIBLIOGRAPHY

- Dhar, B. (2016). Evaluating Nairobi: What Does the Outcome Mean for Trade in Food and Farm Goods? ICTSD. Available at <http://www.ictsd.org/sites/default/files/research/Evaluating%20Nairobi%20-%20What%20Does%20the%20Outcome%20Mean%20for%20Trade%20in%20Food%20and%20Farm%20Goods.pdf> and consulted on 5 July 2016.
- Díaz-Bonilla, E.; Hepburn, J. (2016). Evaluating Nairobi: What Does the Outcome Mean for Trade in Food and Farm Goods? ICTSD. Available at <http://www.ictsd.org/sites/default/files/research/Evaluating%20Nairobi%20-%20What%20Does%20the%20Outcome%20Mean%20for%20Trade%20in%20Food%20and%20Farm%20Goods.pdf> and consulted on 5 July 2016.
- FLACSO. (n.d.). Los países de menor desarrollo económico relativo y la integración en América Latina. Available at <http://www.flacsoandes.edu.ec/biblio/catalog/resGet.php?resId=23029> and consulted on 14 July 2016.
- Glauber, J. (2016). Evaluating Nairobi: What Does the Outcome Mean for Trade in Food and Farm Goods? ICTSD. Available at <http://www.ictsd.org/sites/default/files/research/Evaluating%20Nairobi%20-%20What%20Does%20the%20Outcome%20Mean%20for%20Trade%20in%20Food%20and%20Farm%20Goods.pdf> and consulted on 26 July 2016.
- González, A. (2016). ¿Qué ganancias y oportunidades resultaron de la Conferencia Ministerial de Nairobi? Available at <http://es.ictsd.org/bridges-news/puentes/news/%C2%BFqu%C3%A9-ganancias-y-oportunidades-resultaron-de-la-conferencia-ministerial-de> and consulted on 23 June 2016.
- Hepburn, J. (2016). Evaluating agriculture in the Nairobi package. Available at <http://www.ictsd.org/bridges-news/bridges-africa/news/evaluating-agriculture-in-the-nairobi-package> and consulted on 28 June 2016.
- ICTSD, (2013). Post Bali: Reflexiones de expertos sobre la Novena Conferencia Ministerial de la OMC. Available at <http://www.ictsd.org/bridges-news/puentes/news/post-bali-reflexiones-de-expertos-sobre-la-novena-conferencia-ministerial> and consulted on 14 April 2016.
- ICTSD, (2015). As clock runs down, WTO Nairobi talks kick into gear. Available at <http://www.ictsd.org/bridges-news/bridges/news/bridges-daily-update-4-as-clock-runs-down-wto-nairobi-talks-kick-into-gear> and consulted on 15 June 2016.
- ICTSD, (2015). From Bali to Nairobi: Securing a meaningful outcome for LDCs. Available at <http://www.ictsd.org/bridges-news/bridges/news/from-bali-to-nairobi-securing-a-meaningful-outcome-for-ldcs> and consulted on 23 June 2016.
- ICTSD, (2015). Miembros de la OMC logran histórico acuerdo en MC10. Available at <http://es.ictsd.org/bridges-news/puentes/news/bolet%C3%ADn-de-negociaciones-n%C2%BA-5-miembros-de-la-omc-logran-hist%C3%B3rico-acuerdo> and consulted on 28 June 2016.
- ICTSD, (2015). WTO Ministerial: A time for reflection in Nairobi on the future of global trade. Available at <http://www.ictsd.org/bridges-news/bridges/news/wto-ministerial-a-time-for-reflection-in-nairobi-on-the-future-of-global> and consulted on 28 June 2016.
- Imboden, N. (2015). What is at stake for LDCs in Nairobi? Available at <http://www.ictsd.org/bridges-news/bridges-africa/news/what-is-at-stake-for-ldcs-in-nairobi> and consulted on 23 June 2016.
- Kask, U. (2011). Competencia de las exportaciones. XI Curso Breve de Política Comercial para los Países Miembros de la ALADI. Montevideo, Uruguay. Available at [http://www.aladi.org/nsfaladi/reuniones/nsf/2811853279315d5703257aaf004fbd07/\\$FILE/Sesi%C3%B3n%2025%20-%20competencia%20de%20las%20exportaciones.pdf](http://www.aladi.org/nsfaladi/reuniones/nsf/2811853279315d5703257aaf004fbd07/$FILE/Sesi%C3%B3n%2025%20-%20competencia%20de%20las%20exportaciones.pdf) and consulted on 21 June 2016.
- Kask, U. (2016). Resultados de Nairobi en agricultura. Foro técnico “La Conferencia Ministerial de Nairobi:

- Resultados en agricultura y algunas implicaciones para los países del IICA.” Videoconference, 21 April 2016. San Jose, Costa Rica.
- Mango, F. (2016). The potential impact of WTO members’ commitment to reducing export subsidies for agricultural products. INTAL. Available at <http://www19.iadb.org/intal/conexionintal/2016/04/07/la-omc-despues-de-nairobi-el-futuro-de-las-negociaciones-agricolas/?lang=en> and consulted on 4 July 2016.
- McGuirk, A. (2002). The Doha Development Agenda. Finance & Development. Available at <http://www.imf.org/external/pubs/ft/fandd/2002/09/mcguirk.htm> and consulted on 21 June 2016.
- Pérez, L. (2010). Prácticas de Estructura Económica Mundial. Universidad Autónoma de Madrid. Available at http://www.uam.es/personal_pdi/economicas/laurap/EEM/4-Balanza%20de%20Pagos.pdf and consulted on 4 July 2016.
- Ramírez, D. (2013). Novena Conferencia Ministerial de la WTO en Bali. Instituto Español de Estudios Estratégicos (IEEE). Available at http://www.ieee.es/Galerias/fichero/docs_analisis/2013/DIEEEA68-2013_Doha_OMC_DRM.pdf and consulted on 14 April 2016.
- Terrádez, M. (n.d.). Análisis de conglomerados. Proyecto e-Math; Secretaría de Estado de Educación y Universidades. Available at <http://www.uoc.edu/in3/emath/docs/Cluster.pdf> and consulted on 4 July 2016
- Triunfo, P. (n.d.). Monopolio. Available at <http://decon.edu.uy/~mito/nota%20monopolio.pdf> and consulted on 27 June 2016.
- United Nations. (n.d.). Países menos adelantados. Centro de Información de las Naciones Unidas: México, Cuba y República Dominicana. Available at <http://www.cinu.org.mx/temas/desarrollo/dessocial/ladc/paisesmadel.htm> and consulted on 21 June 2016.
- WTO, (n.d.). Agriculture: fairer markets for farmers. Available at https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm3_e.htm and consulted on 23 June 2016.
- WTO. (2000). WTO Negotiations on Agriculture. Cairns Group Negotiating Proposal. Export Competition. Committee on Agriculture; Special Session; Document (G/AG/NG/W/11). Available at https://www.wto.org/english/tratop_e/agric_e/negs_bkgnd08_export_e.htm and consulted on 21 June 2016.
- WTO. (2013). Briefing note: Agriculture negotiations: the bid to “harvest” some “low-hanging fruit.” Available at https://www.wto.org/english/thewto_e/minist_e/mc9_e/brief_agneg_e.htm and consulted on 14 April 2016.
- WTO. (2013). Days 3, 4 and 5: Round-the-clock consultations produce ‘Bali Package’. Available at https://www.wto.org/english/news_e/news13_e/mc9sum_07dec13_e.htm and consulted on 12 April 2016.
- WTO. (2015). Briefing Note: Agriculture Issues. Available at https://www.wto.org/english/thewto_e/minist_e/mc10_e/briefing_notes_e/brief_agriculture_e.htm#specialsafeguard and consulted on 28 June 2016.
- WTO. (2015). Nairobi Package. Available at https://www.wto.org/english/thewto_e/minist_e/mc10_e/nairobipackage_e.htm and consulted on 28 June 2016.
- WTO. (2016). Farm committee to monitor implementation of Nairobi decision. Available at https://www.wto.org/english/news_e/news16_e/agcom_09mar16_e.htm and consulted on 3 July 2016.
- WTO. (2016). WTO Members look at way forward in agriculture talks. Available at https://www.wto.org/english/news_e/news16_e/agng_09mar16_e.htm and consulted on 4 July 2016.
- WTO. (n.d.). Agreement on Agriculture. Available at https://www.wto.org/english/docs_e/legal_e/14-ag_02_e.

htm#annII and consulted on 12 July 2016.

WTO. (n.d.). Ayuda interna. Available at https://www.wto.org/english/tratop_e/agric_e/ag_intro03_domestic_e.htm#conceptual and consulted on 12 July 2016.

WTO. (n.d.). Domestic support in agriculture: the boxes. Available at https://www.wto.org/english/tratop_e/agric_e/agboxes_e.htm and consulted on 21 June 2016.

WTO. (n.d.). Export subsidies and competition. Available at https://www.wto.org/english/tratop_e/agric_e/negs_bkgrnd08_export_e.htm and consulted on 20 June 2016.

WTO. (n.d.). Groups in the negotiations. Available at https://www.wto.org/english/tratop_e/dda_e/negotiating_groups_e.htm and consulted on 28 June 2016.

WTO. (n.d.). Special and differential treatment: stronger support for development. Available at https://www.wto.org/english/thewto_e/minist_e/min05_e/brief_e/brief17_e.htm and consulted on 27 June 2016.

WTO. (n.d.). Special safeguard mechanism for developing country members. Available at https://www.wto.org/english/thewto_e/minist_e/mc10_e/l978_e.htm and consulted on 28 June 2016.

WTO. (n.d.). Tariff quota. Glossary of terms. Available at https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm and consulted on 21 June 2016.

WTO. (n.d.). Trade facilitation. Available at https://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm and consulted on 20 June 2016.

WTO. (n.d.). What is the WTO? Available at https://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm and consulted on 28 June 2016.

WTO. (n.d.). WTO list of net food-importing developing countries. Available at [https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=\(\(@Symbol=G/AG*+AND+@Title=list+of+net+food-Importing\)\)&Language=ENGLISH&Context=QuerySearch&btsType=&SourcePage=FE_B_007&languageUIChanged=true#](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=((@Symbol=G/AG*+AND+@Title=list+of+net+food-Importing))&Language=ENGLISH&Context=QuerySearch&btsType=&SourcePage=FE_B_007&languageUIChanged=true#) and consulted on 23 June 2016.



Inter-American Institute for Cooperation on Agriculture

Headquarters. P.O. Box 55-2200
San Jose, Vazquez de Coronado, San Isidro
11101 - Costa Rica
Phone: (+506) 2216 0222 / Fax: (+506) 2216 0233
e-mail: iicahq@iica.int