



PARTICIPATION OF LATIN AMERICAN COUNTRIES IN MULTILATERAL AGRICULTURAL NEGOTIATIONS

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PRESENT CONTEXT

The negotiation of binding rules and trade disciplines among the 164 member countries of the World Trade Organization (WTO) is a considerable challenge, with countries of different sizes and development levels, and with varying priorities, interests and needs.

In the particular case of multilateral negotiations in agriculture, with a delay of over two decades in complying with article 20 of the WTO Agreement on Agriculture (AoA), striking a balance between the diversity of interests and members' positions is a challenging and complex task, due to this sector's importance and sensitive points in member countries. There are exporting countries with very aggressive interests, as they seek new market opportunities and greater liberalization of the trade system, while other members, generally importers, prefer to focus on increasing domestic production and protecting their domestic markets.

It goes without saying that most of the member countries agree on the need to reform the agricultural trade system, but there are major disagreements on how to go about doing this. So it is that compliance with the AoA has not yet been reached.

The countries of Latin America, specifically continental Latin America, are important global players in food production and trade, and this positions them as proactive actors

in the search for alternatives for building consensus to broaden agricultural reform.

The region plays a leading role in global agrifood trade. For example, in 2022 agrifood exports from an aggregate of 17 countries² accounted for 17.6 percent of world agrifood product exports³, a percentage greater than in 2021, when their share was 15.7 percent⁴. Including the exports of the USA and Canada, in 2022 the American continent as a whole accounted for 31.4 percent⁵ of exports, constituting over 2 percent growth.

The multiple crises that the region has faced, including the health crisis caused by COVID-19, the container crisis and the disruption to global value chains (GVCs), the impact of extreme climate events and the war in Ukraine have had a negative impact on trade. Nonetheless, the agrifood product exports of 17 countries of Latin American and the Caribbean (LAC) performed positively, continuing to increase in recent years with a growth of 2.72 percent (2020 on 2019) and 20.96 percent (2021 on 2020).

In 2022, North America (USA and Canada) was the main destination of LAC agrifood exports, with a share of 22.33 percent and 13.23 percent growth in exports compared to 2021, followed by Asia (excluding China and Hong Kong), with 20.53 percent, China with 20 percent, and the European Union with 14 percent.

1. We are grateful for the support of the IICA International Trade and Regional Integration Program, particularly Diana Arroyo.

2. LAC (17 countries): Argentina, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Paraguay, Peru, Dominican Republic, and Uruguay..

3. IICA, based on TDM 2023 data. The analysis was based on trade information for 103 countries, updated to December 2022..

4. IICA, based on TDM 2023 data. The analysis was based on trade information for 103 countries, updated to December 2022..

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THE ROAD TO THE TWELFTH WTO MINISTERIAL CONFERENCE (MC12)

The fact that the Latin American region is a net producer and exporter of foods led member countries to submit a number of proposals and positions to the WTO, reflecting their commitment to work together and advance ambitiously and resolutely on all the pillars of the AoA, with a view to achieving open, predictable and functional agrifood markets, in line with article 20 of the AoA.

The countries of the region have participated actively in agriculture negotiations, making numerous proposals. Some have been submitted individually by members, while others have been part of ambitious agriculture reform proposals submitted by groups of countries. In the 24 months prior to the MC12, the countries of the region co-sponsored 51 of a total of 96 proposals, showing the importance of agriculture negotiations⁶.

The region's unequivocal stance in all its proposals has been based on the recognition that the multilateral trade system was established "with a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations," and that it is an important tool in driving sustainable development and food security in all its member states.

Furthermore, the countries of the region recognize that international trade plays a fundamental role in their food and nutrition security, in facilitating broad and timely access to agrifood products, through the integration of local, regional and global supply chains. Hence their call to eliminate all measures and practices that generate trade distortions, and protectionist measures that hinder the proper functioning of GVCs and market access, and which seriously harm farming and exports in developing countries.

Of the eight main issues in the agricultural negotiations on trade of agrifood products⁷, the LAC region's proposals have focused on the following aspects:

DOMESTIC SUPPORT

This issue has become central to agriculture negotiations, given that the domestic support that some countries

allocate annually has reached exorbitant sums and continues to increase⁸.

Latin American countries are seriously affected by unequal competition domestically and in third markets. Proposals in this regard aim to strengthen existing disciplines and reduce levels of support, considering all the forms of domestic support that distort trade and farming, in accordance with article 6 of the AoA.

Backed by the Cairns Group and other member countries, Latin America proposes to limit the existing rights to support and begin a process to reduce current levels by at least one half over a given period. The purpose of this is to remove the connection between domestic support and production value, as this permits future increases.

However, understanding that this proposal must favor consensus-building, this is not always easy to attain, and so the principle of "proportionality" in the reduction of rights was proposed as a highly creative way of facilitating agreements, so that the members who cause the most distortion contribute more to the reduction.

The region's proposals acknowledge that special attention will be given to more disadvantaged farmers in developing countries, in accordance with article 6.2 of the AoA, and reiterate the importance of complying with notification requirements.

Lastly, this position considers that attaining more solid rules in the area of domestic support would go some way to resolving global equality, provide sustainable economic development opportunities, meet global food security needs and build an inclusive and effective global trade system.

MARKET ACCESS

Market access has ceased to be the most pressing issue in agriculture negotiations as the tariff levels effectively applied globally are much lower than the level consolidated in the WTO, probably as a result of the number of free trade agreements signed in the last two decades.

This does not mean that there are no matters pending negotiation in this area. A group of countries in the region

6. Source: IICA, with WTO information.

7. Public stockholding for food security purposes, domestic subsidies that cause trade distortion, cotton, market access, the special safeguard mechanism, competition for exports and restrictions and prohibitions on exports, and transparency.

8. The Organisation for Economic Co-operation and Development (OECD) reports assistance to farmers to the value of \$611 billion annually. The Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP) report assistance for farmers to the value of \$540 billion annually.



has raised the need to address the issue of market access with a comprehensive perspective, not only the tariff level applied but also the disciplines associated with it.

Furthermore, a group of countries in the region has proposed a negotiation framework, proposing a substantial increase in market access for agricultural products over a term of ten years, with negotiations beginning once the ministerial meeting has approved it. This shows the need to incorporate new disciplines. Negotiations should take into account all the elements that provide better and less restrictive access conditions.

Moreover, the proposal includes two interesting connections in the negotiation process. It states that future disciplines should take into account members' needs in sequencing domestic support. And it clearly calls for the utmost moderation so as not to diminish future concessions through the discretionary use of non-tariff measures, such as those contained in the provisions on Technical Barriers to Trade (TBTs) and on Sanitary and Phytosanitary (SPS) Measures.

The proposal also states that efforts to comply with current notification requirements must be redoubled to guarantee transparency in applying the market access reform.

PUBLIC STOCKHOLDING FOR FOOD SECURITY PURPOSES

This issue has undoubtedly been the most controversial in agriculture negotiations. Public stockholding for food security purposes, a legitimate concern for developing countries, is regulated in annex 2 of the AoA, which includes the relevant provisions so that countries that require it can use the mechanism to resolve their domestic needs.

However, with the Ministerial Decision adopted in Bali in 2013, in response to the call from a group of members for greater flexibility in the current regulations to respond appropriately to the needs of their population, an interim mechanism was put in place and a term set for members to negotiate a permanent solution. This interim decision included a "peace clause" that those countries that had public stockholding programs for food security purposes in operation in 2013 would not be subject to the Dispute Settlement Understanding.

The Latin American countries have manifested their concern about the permanent solution proposals submitted. They have made proposals and calls to establish an open dialogue and an honest exchange of experiences to reach a common understanding of the function of the public stockholding programs.

These countries have put forward the need to identify the repercussions of these programs and connected policy measures in farmers, consumers, government budgets and global markets, and evaluate these measures in comparison with alternative measures and policies in each context.

The greatest concern lies in the use of market price support (MPS) of products not bound to the international price and the incorporation of public stockholding to international trade flows in some countries.

Latin American countries' proposals, which are very well supported technically, recognize the need to apply this type of program in certain conditions, for which it is necessary to apply rigorous safeguarding measures, establish anti-evasion clauses, prohibit the incorporation of those expenditures into the exportable supply of the country of origin, and ensure that those policy measures intended to comply with food security goals do not undermine other countries' food security goals.

EXPORT RESTRICTIONS

Negotiations and proposals on export restrictions have been tied to the issue of food security. Although this has been a legitimate concern that has always been manifested in the WTO, the current context, as a result of the crisis caused by the COVID-19 pandemic, the container crisis, the war in Ukraine and the impact of measures adopted by some countries to restrict exports, has exposed the difficulties and negative repercussions of the main commodities on international prices, and on net food importing countries, particularly where these are developing countries.

The Latin America countries made forceful proposals, which helped attain concrete results in this issue at the MC12.

First, the resolution on the non-application of restrictions or prohibitions to expenditures made by the World Food Programme (WFP) was very well received, and consensus was reached after many years of members trying to reach an agreement.

Second, the Ministerial Declaration on the Emergency Response to Food Insecurity includes the concerns of the region's members, who through their proposals and by stating their positions offered numerous considerations on the importance of recognizing that although it may be a legitimate interest of some countries to adopt export restrictions under particular circumstances, these must be in keeping with the provisions of article 12 of the AoA



and article XI of the General Agreement on Tariffs and Trade (GATT), which state that any trade restriction measure must be notified, providing the nature and duration of the measure. It has been reiterated that any resolution in this issue should guarantee that agricultural markets are maintained open and transparent to address food price volatility and to not adopt measures that restrict or distort markets.

A major point for the countries of the region has been to ensure that all food support provided should be in the form of a total donation, based on real needs and avoiding the displacement of trade and possible adverse effects on domestic and regional farming and markets.

TRANSPARENCY

Transparency is a principle of great importance for the proper functioning of the Multilateral Trade System. Although WTO agreements incorporate notification requirements for members, some countries are lagging behind in complying with these commitments.

Transparency is a cross-cutting concept and must occur in all stages of the commitment compliance process. However, particularly in the area of agriculture negotiations, some members have expressed concern that they do not have the installed capacity or qualified human resources to use the necessary tools, and lack the internal mechanisms to gather the information required.

Over the years, trade activities and the compliance with notification requirements have underscored the need to notify information such as the production value, which would allow trade partners to have a better perception and knowledge of the impact of public policies and programs adopted.

The region's countries have supported initiatives that seek to improve transparency in the WTO and have reaffirmed the need to comply with the notification requirements established in all the organization's agreements, while acknowledging that some countries face difficulties in doing so. In this regard they have proposed that the Secretariat provide greater support for members, to enable them to meet their obligations.

A number of countries in the region have expressed their support for a proposal that has been put forward, which establishes concrete sanctions when countries fail to meet the deadline for compliance.

RESULTS OF THE MC12 AND THE ROAD TO THE MC13

The MC12's "Agriculture Package" contained three proposals of ministerial decisions, of which two were adopted: the "Ministerial Decision on exempting World Food Programme (WFP) humanitarian food purchases from export prohibitions or restrictions" and the "Ministerial Declaration on the emergency response to food insecurity."

Although both were positive and timely, no progress was made on the eight negotiation issues of the WHO's food program, including domestic support, market access and public stockholding for food security purposes. In the case of domestic support and the Public Stockholding (PSH) Programme, there was no discussion of the work programs required to guide negotiations after the MC12.

These results were not what many members expected, particularly those from Latin America, developing countries and net food exporters who have made great efforts to increase their share of the international market by improving their competitiveness, through innovation and applying policies and programs in keeping with the WTO rulebook.

In this scenario it is important to mention the leading role that the region plays in general in the WTO, particularly in agriculture negotiations, which is essential to achieving progress in the agenda.

Some years ago, it was most important to incorporate agriculture in the "rules of the game" of international trade, and to have the legal certainty of the rules applied by the countries in the trade process (tariffs, subsidies, export subsidies, domestic support for farming, de minimis rights, etc.) Since then, recent events have changed the order of priorities and new issues have been added to the trade and agriculture agenda, such as post-pandemic recovery, food security and the relationship between climate change and sustainability. These three issues must necessarily form the referential framework for future agricultural trade.

CONCLUSIONS

Avoiding a bad decision constitutes a good outcome. The members recognize that the priority is to work towards reducing trade and production distortions. They are also aware of the need to reform agrifood systems in all the countries to bring about rural wellbeing and guarantee food security.



More efficient and equitable markets also help to strengthen productivity, create jobs and increase rural income.

Members have stressed the need to attain solid results in agriculture, but prospects differ significantly. The greatest challenge that agriculture negotiations in the WTO face is the absence of trust, transparency and political will.

THE ROLE OF IICA AND IFPRI

In the period following the MC12 it is important to bring about constructive negotiations to generate concrete results prior to the MC13, when it is expected that

progress will be made in adopting a working program that ideally incorporates modalities and contributes to establishing a reform program to be adopted in the short term.

In this regard, both the Inter-American Institute for Cooperation on Agriculture (IICA) and the International Food Policy Research Institute (IFPRI) play a fundamental role in promoting knowledge generation and capacity building so that LAC countries can together propose alternatives that facilitate consensus-building by contributing to the agriculture negotiations process, as has been put forth in the MC12 declaration.

