

**Environmental interests in the negotiation of Agreement on Agriculture:  
country positions, policy implications and assessment**

**First draft for review**

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### **Abbreviations and acronyms**

AoA	Agreement on Agriculture (WTO)
AMS	aggregated measures of support
CBD	convention on biological diversity
SIDS	small island developing states
UNEP	United Nations Environment Programme
WTO	World Trade Organization

## I. Introduction

1. This paper has three objectives. Firstly it aims to identify environment-related interests and positions of different governments at the negotiation on further implementation of the Uruguay Round Agreement on Agriculture (AoA) at the World Trade Organization (WTO). Secondly it aims to provide the context in which such negotiations take place, and how integrated assessment could contribute to that process. Thirdly, it also aims to place the AoA related environmental discussion in the sustainable development context by providing a brief note on some important thematic issues.

2. Preliminary review of the position papers, submitted by different governments to the Committee on Agriculture<sup>2</sup> during the post Uruguay Round negotiation period as mandated in the AoA Article 20, reveals that by now there has been a consensus achieved that each WTO member has legitimate non-trade concerns. Non-trade concerns are specified in the preamble of the AoA to include “food security and the need to protect the environment.” Other non-trade concerns enumerated by the WTO member states are rural development, food quality, animal welfare as found in their WTO papers. It is to be noted that “the need to protect the environment” is written in the preamble, and it does not require any member who wish to exercise this right to defend the legitimacy of it being reasonable non-trade concerns. The ambiguity is rather how such legitimate need to protect the environment can be operationalized as concrete and efficient national policies, and how such environment-minded policies are secured to be non or minimally trade distorting so that environmental and trade policies are mutually supportive.

3. Non-trade concerns are to be taken into account in the continuation of the reform process set out in the Uruguay Round, as specified in the Article 20 of the AoA. The reform process has a “long-term objective” of “substantial progressive reductions in agricultural support and protection sustained over an agreed period of time, resulting in correcting and preventing restrictions and distortions in world agricultural markets<sup>3</sup>.” The link between the AoA reform objective and the non-trade concerns at the current WTO discussion is that different groups of countries propose to continue the provision of “agricultural support and protection” that will serve for their non-trade concerns. Different groups of countries have different agenda on the issue. Such diverse agenda could be probably categorized under headings of the environmental agenda (for example, multifunctionality) and the developmental agenda (food security, poverty alleviation and equity).

4. Currently there are 144 members at the WTO (as of January 2002), and each country has its own policy agenda. For the sake of global governance, it seems imperative firstly that a bird-eye view of the general political picture surrounding environmental interests is provided; secondly that national policy priority is identified by each government; thirdly that the national priority identified sets a strategic national plan for negotiation; and fourthly that the negotiation take into account the Pareto optimal welfare distribution at the international level (after a transaction no one is worse off and at least one actor is better off) and lastly that national policies, including flanking policies, are to be implemented by the government to assure the best outcome from the policy change.

5. United Nations Environment Programme (UNEP) believes that in such policy-making process, specifically in identifying the national priority and implementing national policies,

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<sup>2</sup> G/AG/NG/W/1-G/AG/NG/W/186

<sup>3</sup> Article 20, Agreement on Agriculture. *The Results of the Uruguay Round of Multilateral Trade Negotiations—the legal text*. GATT Secretariat. 1994.

integrated assessment exercise can serve as a useful policy-making tool. In the forthcoming project focusing on agriculture, UNEP aims to launch a new set of country level assessment studies to that effect. UNEP also intends to establish an expert group to develop a reference material to be consulted by the researchers and policy makers when they plan and conduct a national level integrated assessment in the agriculture sector.

6. Section II of this paper provides a brief overview of the environmental impacts related to agricultural activities<sup>4</sup>. Section III summarizes the major negotiation issues and provisions in the AoA. Section IV discusses different countries' position on how they would like environmental interests to be considered in the Uruguay Round AoA negotiation framework. As mentioned in the outset, there seems to be a consensus among the WTO members that each country has legitimate non-trade concerns, but the modality to integrate such non-trade concerns to the negotiation mandate of the AoA is still to be sought. The section examines those different positions. Section V provides key thematic issues related to the achievement of sustainable development, which are of relevance to the AoA negotiation. Section VI concludes with some notes on methodological issues when designing an integrated assessment that will contribute to the process.

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<sup>4</sup> A paper focusing on this specific aspects are under preparation by the secretariat of the Convention on Biological Diversity for its COP6 in the Hague in April 2002.

## II. Environmental Changes Due to Agriculture<sup>5</sup>

7. In many countries around the world, agriculture occupies a large tract of land, and significantly impacts the environment in both positive and negative manners. This section briefly overviews such effects.

### a. *Introduction of agriculture*

8. When agriculture is introduced, natural ecosystems (often forest ecosystems) are converted to arable land, other cropping systems or grassland. This is called reclamation of natural ecosystems, and is often associated with a substantial loss of biodiversity. In certain cases, however, especially where grasslands came into being and subsequently support extensive livestock farming, the new semi-natural habitat becomes a substitute for the natural habitat for certain species. Such semi-natural habitat, hosting many plant and animal species, are often maintained by extensive agriculture.

### b. *Negative environmental impacts of agricultural practice*

9. A wide range of literature has highlighted negative environmental impacts of agricultural activities on ecosystems, especially in 1980s and 1990s. Negative impacts can occur at every stage of the agricultural development as discussed below with examples.

#### **Reclamation of natural habitats**

10. Negative impacts due to the reclamation of natural habitats occurred in the last thousand years in most of the temperate zones, but such trend has generally been halted or reversed. In tropical zones and in Australia, such trend is still observed, and constitutes a major loss of biodiversity, for example through the clearance of forests.

#### **Intensification of agriculture**

11. Agricultural practice has intensified during the 20th century by the introduction and constant growth thereafter of the use of fertilizers and pesticides, the drainage of wet grasslands and wetlands, disappearance of natural features such as hedges, wooded areas, and ponds. Such changes dramatically reduced the level of biodiversity. Different aspects and levels of intensification are explained below:

12. ***Decline of biodiversity-rich farmlands:*** Semi-natural ecosystems (i.e. low-input grasslands) and other biodiversity-rich farmlands are mainly dependent on extensive agriculture. Decline of such areas due to agricultural intensification is a major concern of nature conservation policies.

13. ***Decline of biodiversity in the wider countryside:*** Farmland often serves for less-demanding, wide-ranging, dispersed and migratory species. Such areas mostly have a basic level of biodiversity with benefits for the agriculture. This is called the life support function of biodiversity or ecological services. These include services such as to maintain soil fertility or soil biodiversity, pollination, and predation of pest organisms. Such services are also found in intensive agriculture, but further intensification will lead to the reduction of biodiversity, and loss of some or even all of these ecological services.

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<sup>5</sup> This section is written in cooperation with Mr. Gerard Van Dijk at Regional Office of Europe, UNEP.

14. **Pollution:** Excessive levels of intensification and mismanagement, as found in many developed countries, will pollute ground water, surface water and air. Even when the biodiversity on farmland itself is low, such pollution can also negatively affect adjacent as well as more remote ecosystems. Those ecosystems receive pollutants via water and air media, resulting in eutrophication and acidification.

15. **Reduction of positive impacts of agriculture or services:** As seen above, intensification of agriculture can reduce environmental quality of farmland. Environmental qualities could be categorized into those that have already been degraded by agriculture, such as soil and water quality, and those that have been enhanced by agriculture, such as certain types of biodiversity and landscapes. In the latter case, positive impacts are reduced by intensification. In either case, intensification will decrease the environmental qualities, to which there can be a range of policy responses. It is to be noted that positive impacts of agriculture can also be reduced by land use changes, particularly land abandonment.

### **Land abandonment**

16. Positive impacts of agriculture, such as certain categories of biodiversity and cultural heritage landscapes disappear when land use changes or agriculture disappears (land abandonment). Although in many regions agriculture will then be replaced by forest, the disappearing habitat often holds more threatened species than the new forest habitat. In the case of abandonment of intensively used farmland, however, the environmental gains may prevail, but related landscape changes may be valued in different ways. Environmental gains could also prevail if the original habitat had been threatened (i.e. steppe and prairie) and it could be restored from agricultural land.

### **c. Positive environmental impacts of agriculture**

17. Since late 1990s, positive environmental impacts realized in agricultural activities have been highlighted by organizations, for example, Convention on Biological Diversity (CBD), Organisation for Economic Co-operation and Development (OECD)<sup>6</sup> and non-governmental organizations. Positive impacts are related to the management of semi-natural ecosystems on which many endangered species depend for their survival, the provision of rural economic activities that form the basis of the farmers' stewardship to the environment, and the prevention of natural disasters such as fire land slides and floods. Certain agro-ecosystems in the extensive farming system also provide the only habitat for many endangered species of wild flora and fauna. In such extensive farming systems, positive impacts could outweigh the negative impacts of agricultural production.

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<sup>6</sup> CBD addressed the positive impacts of agriculture on biodiversity in its work programme on agricultural biodiversity (Decision V/5), and OECD has held a seminar on environmental benefits of agriculture (*Environmental benefits from Agriculture: Issues and Policies, The Helsinki Seminar*. OECD. 1996).

### III. Provisions Under the Agreement on Agriculture

18. This section will review some important AoA provisions of relevance to the scope of the current paper. Doha declaration adopted at the fourth ministerial meeting of the WTO in November 2001 sets out a time schedule that “[m]odalities for the further commitments ... shall be established no later than 31 March 2003.”<sup>7</sup>

#### a. Major negotiation issues

19. Three major negotiation agenda within the orbit of the AoA are market access export competition and domestic support reduction. The General Agreement on Tariffs and Trade (GATT) rules, precedent to the AoA rules, were largely ineffective to liberalize agriculture sector because of loopholes that allowed non-tariff measures. The AoA used the tariffication process to quantify and replace non-tariff import measures, to curb export subsidies and to codify domestic support programs on the basis of their potential to distort trade.

<b>Box 1. Summary of the reduction commitment for developed and developing countries</b>		
	<b>Developed countries</b> 6 years: 1995-2000	<b>Developing countries</b> 10 years: 1995-2004
<b>Tariffs</b>		
Average cut for all agricultural products	-36 %	-24%
Minimum cut per product	-15%	-10%
<b>Domestic support</b>		
Cuts in AMS support for the sector	-20%	-13%
<b>Exports</b>		
Value of subsidies	-36%	-24%
Subsidized quantities	-21%	-14%
Source: “WTO Agricultural negotiations: The issues, and where we are now” <a href="http://www.wto.org/english/tratop_e/agric_e/negs_bkgrnd00_contents_e.htm">http://www.wto.org/english/tratop_e/agric_e/negs_bkgrnd00_contents_e.htm</a>		

#### **Market access: tariffs, tariff quota, and special safeguard provisions**

20. Market access provisions aim to ensure a fair and competitive market access by restricting importing countries’ trade policy measures only to tariffs. In the Uruguay Round tariffication process, non-tariff measures, namely all measures used other than tariffs to protect domestic industry, were converted into tariffs that would provide an equivalent level of protection. The conversion was based on the difference in international market price and domestic market price of the specific product. If one product was 70 per cent more expensive on the domestic market compared to international price, the tariff could be around 70 per cent. Anticipating the negative impact of increased tariffs on export countries, a system of tariff-rate quotas was created. It allowed certain historical level of imports to continue at a lower tariff. Developed countries are obliged to reduce the tariff levels by 36 per cent in equal steps over six years whereas developing countries 24 per cent over ten years.

21. Problems arising from the new system are many. First of all, the tariffication process resulted in a too high level of tariff to prohibit any access to the market (prohibitive tariff). In some cases, the calculation of the tariffs is not transparent and dubious (dirty tariffication). For example, a country could quote a high quality food price of one domestic commodity

<sup>7</sup> WT/MIN(01)/DEC/W/1. para 14.

against a feed quality price of the foreign commodity. Secondly, percentage reduction of tariffs are required by a simple average, with the minimum cut of 15 and 10 per cent per product for developed and developing countries respectively. This allows countries to be selective in reducing tariffs so that the sensitive products get only small amount of reduction whereas others have large reduction (tariff peak). Some countries also applied higher tariffs for processed products than for primary products, thus creating bias against processed products (tariff escalation).

22. The AoA contains a special treatment clause in its Annex 5. Certain countries were permitted to maintain non-tariff border measures on certain products during the period of tariff reductions.

23. Article 5 of the AoA specifies the special provision on safeguards. The special safeguard provisions allow the country to impose an additional tariff where certain criteria are met. The criteria involved are either a specified surge in imports (volume trigger), or on a shipment-by-shipment basis, a fall of the import price below a specified reference price (price trigger). A major difference from the normal safeguards for non-agricultural commodities covered under the Agreements on Safeguards is that the demonstration of serious injury to the domestic industry is not necessary in the case of agricultural products.

### **Export competition**

24. The AoA mainly deals with export subsidies, which are prohibited. Those who currently subsidise exports have reduction commitments. The reduction commitment requires countries to specify those subsidies. Then they have to be reduced in the value of exports by 36 per cent over six years for developed countries and 24 per cent for developing countries over ten years. They also have to be reduced in quantities of exports by 21 percent over six years for developed countries and 14 per cent over ten years for developing countries.

25. A discussion during the recent AoA negotiation started in 2000, which mainly concerned the US and the EU, was the scope of export promoting measures to be dealt with under the WTO rules. In other words, it was debated if support measures promoting export other than export subsidies, such as export credits, should also be prohibited. The Doha declaration reads that comprehensive negotiations aim at “reduction of, with a view to phasing out, all forms of export subsidies.”<sup>8</sup>

### **Domestic support**

26. Certain support programmes at the national level may have direct physical effects on production and trade. In a commonly held view, support programmes encourage overproduction that can be dumped into world market to suppress international commodity price, notably with the help of export subsidies. Those government support policies that directly affect production and trade are thus prohibited under the AoA in principle. All domestic supports, calculated as the total aggregated measure of support (AMS), are to be reduced by 20 per cent in six years for developed countries, and 13 per cent in ten years for developing countries. A general exception is called *de minimis* subsidies. Those are small-scale subsidies and supports that do not exceed 5 per cent of the value of production of individual products, or, in the case of non-product-specific support, the value of total agricultural production.

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<sup>8</sup> WT/MIN(01)/DEC/W/1, para 13.

27. Besides the *de minimis* category, some other supports are exempted from the reduction commitment. In WTO terminology, a “box” analogy is used to discuss different types of subsidies. Under the AoA, there are four boxes: amber box, blue box, green box and S&D box. Amber box contains those subsidies and programmes that distort trade and production. The total value of this box is agreed for reduction. The blue box includes direct payments under production-limiting programmes. This box is an exemption to the reduction commitment on trade and production distorting subsidies, although by definition this box is related to production and trade. The green box category includes domestic measures that are non or minimally trade distorting. They have to be government-funded and do not involve price support. It includes income support programmes for farmers decoupled from production. In the WTO terminology, when payments and other incentives are not directly linked to inputs or production, they are called decoupled. Given that support measures contained in the green box do not distort trade, they are not subject to the reduction commitment and hence no limit is set. The criteria to be met are specified under Article 6 and Annex 2 of the AoA. Annex 2 includes two items related to the environment: “[g]eneral services” that contains “research in connection with environmental programmes” and “infrastructural works associated with environmental programmes.” The other is “[p]ayment under environmental programmes<sup>9</sup>”. An additional exemption category that is available exclusively for developing countries is sometimes called S&D box.

#### Box 2. Non or minimal trade distortion

In the neoclassical economics term, when supply and demand meet, the market clears at a point that gives the most efficient market solution. Public interventions by the government, which will disturb the optimum balance attained in the market, are regarded as market distortion. In the same vein, in trade community, public intervention that will intentionally affect the market price is regarded “trade distorting”. From welfare economics’ point of view, certain public interventions are necessary in the case of public goods which do not clear the market itself because the social demand for such goods tend to be higher than market supply in the case of positive externality. As such, certain degree of intervention from socio-economic reasons could also be tolerated in the WTO.

28. Doha declaration restates the aim of the comprehensive negotiations, which include “substantial reductions in trade-distorting domestic support.<sup>10</sup>” A separate document on “Implementation-related issues and concerns” contains an item that “[u]rges Members to exercise restraint in challenging measures notified under the green box by developing countries to promote rural development and adequately address food security concerns<sup>11</sup>.”

### Non-trade concerns

29. Article 20 of the AoA could provide the member states with opportunities not to abide by the commitments agreed in the other part of the AoA in the course of the reform process set out in this Article. Non-trade concerns include “food security” and “the need to protect the environment” as specified in the preamble. Current discussion, however, shows that non-trade concerns could be more broadly interpreted and grouped under rural development/poverty alleviation context and multifunctionality/environmental protection context. In principle, such non-trade concerns are to be taken into account in the continuation of the reform process, and would not dramatically alter the commitments agreed previously in

<sup>9</sup> Payments under environmental programmes are subject to the following conditions: (1) “Eligibility for such payments shall be determined as part of a clearly-defined government environmental or conservation programme and be dependent on the fulfillment of specific conditions under the government programme, including conditions related to production methods or inputs”; and (2) “The amount of payment shall be limited to the extra costs or loss of income involved in complying with the government programme” (Annex 2, Agreement on Agriculture).

<sup>10</sup> WT/MIN(01)/DEC/W/1, para 13.

<sup>11</sup> WT/MIN(01)/DEC/W/10, para 2: Agreement on Agriculture.

the AoA. Some members, however, consider that Article 20 and its reference to non-trade concerns could serve as a legitimate reason to revisit the commitments agreed and implemented during the six years of the implementation period (1995-2000). They consider that the negotiation mandated in the Article 20 to continue the reform process, starting in 1999, shall therefore renegotiate the commitment in light of the experience gained in the implementation of the Uruguay Round Agreements. Others are of the view that non-trade concerns should not have an overriding importance to the three pillars of the AoA negotiation agenda discussed above.

30. Doha declaration reiterates that non-trade concerns will be taken into account in the negotiation of the AoA and that “non-trade concerns reflected in the negotiating proposals submitted by Members” will be taken note of<sup>12</sup>.

**b. *New issues and renewed commitments to old issues***

31. Food quality and animal welfare are new issues proposed in the context of the AoA negotiation mainly by some developed countries in the post Uruguay Round negotiation. Those are the necessary development considering the food-related incidences that have been seen recently.

32. Apart from such new issues that are not included in the AoA, certain provisions, especially the ones specifically designed for developing and least developing countries, have not been effectively implemented or exercised. This has brought a considerable concerns on the part of the expected beneficiaries of such provisions. Doha declaration mainstreamed the special and differential treatment for developing and least developing countries throughout the text<sup>13</sup>. For example, under the heading of agriculture, it reads “[w]e agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development.” It remains to be seen, however, how the concept and the spirit are to be operationalized.

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<sup>12</sup> WT/MIN(01)/DEC/W/1, para. 13.

<sup>13</sup> See WT/MIN(01)/DEC/W/1, para 44: Special and Differential Treatment.

## IV. Country Positions

33. Different countries mention the environment in their negotiation proposals. This section will analyze those environment-related interests by grouping countries of similar positions. Country grouping is mainly based on the likely policy implication of the argument. Country Groups are not exhaustive, and are chosen to show the widest spectrum of contrasting environmental interests, but this analysis does not cover interests that seem to have little relevance to the environment, and of some countries that are similar to other, larger groups.

### a. *Friends of Multifunctionality*<sup>14</sup>

#### Summary of the discussion

34. Friends of multifunctionality have several common policy goals. They unequivocally support the green box measures and blue box measures when discussing a further reduction of domestic support measures. Under the market access issues, they propose more flexibility in setting tariffs and minimum access quotas. Under the export subsidies, with EC and Switzerland as exceptions, they propose more strict disciplines.

35. Environmental interests are the key cornerstones of their argument. The starting point is non-trade concerns as written out in the preamble to the AoA. It reads that “the need to protect the environment” and “food security” are two examples of the non-trade concerns, that are to be considered in fulfilling the reduction commitments “in an equitable way among all Members.” Article 20 of the AoA further reinforces this condition. Namely, Article 20 on “Continuation of the Reform Process” stipulates that negotiations start in 1999<sup>15</sup>, following the implementation of the Uruguay Round commitment, to achieve “the long-term objective of substantial progressive reduction in support and protection,” taking into account non-trade concerns. In sum, non-trade concerns, including environmental interests, can influence the post Uruguay Round AoA negotiations so that the reduction commitments are to be equitable among different countries.

36. A general problem inherent in discussing “the environment” is that the very concept is not politically operational. Concrete policy options, for example, to safeguard “the need to protect the environment” is not always clear, and countries need to interpret the spirit of the text and propose concrete policies. For the friends of multifunctionality, such “need to protect the environment” arises from the fact that the agriculture provides not only food and fiber that are commercially exchanged and valued in the market, but also other environmental goods and services, notably biodiversity, aesthetic values, cultural values, and rural livelihoods that are positively valued by their constituents (multifunctionality of the agriculture). The friends of multifunctionality underscore that such non-marketable goods and services are jointly produced with agricultural commercial goods, and therefore they are inseparable in operation (joint production). They also emphasize that such non-marketable goods and services have the public goods characteristic, and this trait, when it provides positive externalities, most likely

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<sup>14</sup> This group consists of the following countries and a country group as major actors: European Communities, Japan, Korea, Norway, and Switzerland. Along with them, following countries submitted a paper on non-trade concerns (G/AG/NG/W/36): Barbados, Burundi, Cyprus, Czech Republic, Estonia, Fiji, Iceland, Israel, Latvia, Liechtenstein, Malta, Mauritius, Mongolia, Poland, Romania, Saint Lucia, Slovak Republic, Slovenia and Trinidad and Tobago.

<sup>15</sup> “Members agree that negotiations for continuing the process will be initiated one year before the end of the implementation period” Article 20, Agreement on Agriculture.

requires the government intervention to ensure the optimal balance of supply and demand (externality/public goods).

37. It is generally agreed that more rigorous analysis is needed on the cost-effectiveness of such policy options. The OECD has developed its analytical framework on the multifunctionality of agriculture to establish a common understanding, terminology and analytical framework so that the concept should become politically operational<sup>16</sup>.

38. The friends of multifunctionality refer to the joint production characteristic of the multifunctionality in justifying the provision of domestic support under the environmental protection purpose. Exactly because of the joint production characteristic, however, the supported agriculture will not only produce the externalities, but also agricultural products, which will often distort trade.

## Policy proposals

### *European Communities (EC)*

39. The EC regards non-trade concerns to include the following under multifunctional role of agriculture: the environment, rural development, food safety, food security, animal welfare, the instruments necessary for safeguarding [agriculture] (G/AG/NG/W/3).

40. In its papers, the EC provides arguments as to why they pursue this policy goal. Its technical papers on environmental non-trade concerns (G/AG/NG/W/36) showed the dependency of many rural environments on farming, and emphasized that the continued farming activity is needed to preserve the farmed landscapes, biodiversity and historical features. The EC also emphasized that agriculture is the core activity in rural areas, and it shapes the environment of that area (G/AG/NG/W/66).

#### **Box 3. Summary of the EC negotiating agenda (G/AG/NG/W/90)**

- Trade concerns—market access, export competition, domestic support
- Non-trade concerns (important societal goals)
  - Multifunctional role of agriculture
    - The protection of the environment
    - The sustained vitality of rural communities
  - Food safety
  - Other consumer concerns
    - Animal welfare

41. In its comprehensive negotiating proposal (G/AG/NG/W/90), firstly in the introduction, it sets forth the idea that non-trade concerns are to be paid due regards to secure strong public support for the reform process which aims to address trade concerns. Under the negotiating proposals, the environment is mentioned under the title of “trade issues—domestic support” and “non-trade concerns.” Under the domestic support issue, the EC argues that “some of the objectives of multifunctional agriculture, namely protecting the environment and contributing to the sustained vitality of rural areas and poverty alleviation” could be achieved by direct aid. It is aware of the link between the overproduction of agricultural commercial products and undersupply of non-marketable environmental goods and services, and thus proposes that aid given to the exported goods shall be subject to specific discipline. It proposes that the concept of the blue box and green box continues. It specifically proposes to discuss the criteria for measures eligible for the green box. In addition to the non or minimal trade distortion, it proposes to include criteria to “meet important societal goals such as the protection of the environment, sustained vitality of rural areas and poverty alleviation, food security for developing countries and animal welfare.”

<sup>16</sup> *Multifunctionality: Towards an analytical framework*. OECD. 2001.

42. Under the non-trade concerns, the EC comprehensive negotiating proposal (G/AG/W/90) focuses on “the specific role of agriculture as a provider of public goods” among all. It emphasizes that environmental protection is an important societal goal for both developed and developing countries. EC proposes that “the measures that aim at protecting the environment should be accommodated in the Agreement on Agriculture” and that “[s]uch measures should be well targeted, transparent, and implemented in no more than minimally trade-distorting ways.”

*Other environmental issues*<sup>17</sup>

43. Food quality and animal welfare, precautionary principle

*Japan*

44. Japan builds her negotiating proposal (G/AG/NG/W/91) on the basic philosophy of the “coexistence of various types of agriculture.” Five major points flowing from the basic principles are: (i) multifunctionality of agriculture (ii) food security (iii) redressing the imbalance between rules and disciplines applied to exporting and importing countries, (iv) developing countries (v) concerns of consumers and the civil society.

45. Under the market access issue, Japan proposes that out-of-quota tariff rates and the level of access opportunity shall consider “securing the benefits of multifunctionality of agriculture and ensuring food security.” Under the domestic support, Japan emphasizes that due consideration be given to the multifunctionality. She proposes that the current framework of rules and disciplines to be maintained, in principle. Some improvements are proposed on the criteria that green box measures should meet. She proposes to revisit and improve the requirements for decoupled income support as well as to ease the requirements on the programmes related to income safety-net programmes. Under the export competition, she addresses the need to “[redress] the imbalances of the rights and obligations between importing and exporting countries, and of maintaining the food security of food-importing countries.” She proposes that export-related supports and export state trading be disciplined. Under the proposal for developing countries, she proposed measures to achieve food security, to promote food production and domestic consumption as well as to ease financial burdens and food shortage.

*Other environmental issues*

46. Food safety, food self-sufficiency, quarantine and inspection measures, labelling and rules on GMOs.

*Korea*

47. Korea, identifying herself as a net food-importing country and a developing country, notes her regret that “the Uruguay Round was not successful in reflecting in a balanced manner the interests of both developed and developing countries, as well as exporting and importing countries” (G/AG/NG/W/98). She points out that the terms of trade for farm households deteriorated and the sharp increase in agricultural imports made the income gap between urban and rural areas widen.

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<sup>17</sup> This section notes the issues of relevance to the environment discussed by each country, but those that would likely to fall under the mandate of other WTO bodies than Committee on Agriculture, since such issues are not likely to relate strongly to the three pillars of AoA negotiation agenda.

48. Korea states that the AoA has not spelled out the non-trade concerns with due considerations to the diverse situations countries face, as well as that the provisions are “too abstract in nature and therefore ineffective.” Thus Korea proposes that the AoA needs to consider “more specific provisions with adequate level of government intervention to secure multifunctionality of agriculture that provides public goods such as food security, environmental protection and rural development.” She also proposes the clarification of special and differential treatment for developing countries and more effective disciplines on export competition measures.

49. More specifically in her proposal on domestic support, Korea proposes to keep the amber box, blue box and green box supports. She asks the scope and the criteria of green box to be more flexible to reflect the multifunctionality of agriculture. She proposes four clusters of support measures to be newly added to the list of exemptions from the reduction commitment, namely: (i) compensatory supports for multifunctionality of agriculture, (ii) supports for enhancing income safety net, (iii) supports for small-scale family farm households, and (iv) supports for agricultural and rural development in developing countries.

50. Under the proposal on special and differential treatment for developing countries, Korea notes the need for additional exemptions for developing countries in the area of market access provisions with specific reference to “products related to non-trade concerns.” In the area of domestic support Korea seems to propose flexibility that is similar to the development box proposal, which will be discussed later.

#### *Other environmental issues*

51. Consumers’ concern over agri-food-related issues, such as food safety, health, environment and biotechnology. GMOs. Precautionary measures.

#### *Norway*

52. Norway states that “multifunctional characteristics of agricultural sector...call for continued special treatment of the agricultural sector” based on its uniqueness, public goods characteristics, joint-production and site-specificity (W/AG/NG/W/101).

53. For policy proposals, under the market access, Norway propose a limited most-favoured-nation<sup>18</sup> (MFN) tariff reduction on their key agricultural products, revised modalities on minimum access quotas specifically for low self-sufficiency countries, and continuation of special safeguard mechanism. Under domestic support, Norway proposes a new categorization of the domestic support measures in addition to the existing categorization. Under

#### **Box 4 Special and differential treatment**

Special and differential treatment is contained in Article 15 of the AoA. Special and differential treatments are given to developing countries by provisions that allow them to take longer transition period (up to 10 years) to accommodate the WTO commitment, and also by clauses of best endeavor nature requesting developed countries to assist developing countries in specific areas such as technology transfer. Special and differential treatment also implies that developing countries are not requested to reciprocate in the trade deals. Least developing countries are not required to undertake reduction commitment.

#### **Box 5. Non-trade concerns of Norway (W/AG/NG/W/101)**

Agriculture’s multifunctional contributions to:

- The viability of rural areas
- Food security
- The cultural heritage
- Environmental benefits
  - The agricultural landscape
  - Agro-biological diversity
  - Land conservation
  - High standards of plant, animal and public health

<sup>18</sup> MFN, along with the national-treatment, is the core principle of the multilateral free trade regime under the auspices of WTO. See section 3.3 of *Environment and Trade—A Handbook* (UNEP, 2000).

the proposed scheme, Aggregated Measures of Support (AMS) will be divided into two categories, the first is the “domestic support to agricultural production destined for the domestic market” and the second is the “AMS support to export-oriented production.” Norway proposes less strict reduction commitment to be applied to the first. Each category will then be divided into the existing boxes, and Norway proposes to maintain blue and green box. Under export competition, Norway proposes more strict disciplines on export competition measures.

### *Switzerland*

54. Swiss proposal (G/AG/NG/W/94) starts with noting her positive national trend with regard to the reduction commitment. She assumes that the reduction in AMS and the increase in green box measures capture the progress she made in implementing the reform process. This progress is also supported by the fact that her new constitutional article on agriculture approved in 1996 made the shift from the price policy support to the support that rewards the environmental services of public interest. In her words, “the State makes direct payments for non-commercial services in agriculture (public goods), which are generally decoupled from production, for example, maintenance of the countryside, decentralized inhabitation and conservation of natural resources.” Based on the insight gained from the experience on the national reform process, Switzerland aims to harmonize her reform process with that of the WTO. She emphasizes the sovereign rights to decide on her political objectives, but is ready to negotiate the general rules to accompany measures related to non-trade concerns. She believes that there exist a number of transparent, specific and targeted instruments for that purpose. More clearly she says, “rather than addressing national political objectives, the negotiations should focus on the conditions governing the measures taken to achieve them.”

55. Under the section “environment” Switzerland proposes that the reform could seek solutions to bring about “win-win-win” situations with regard to the economy, social conditions and the environment. She propose not only to reduce trade measures with environmentally negative effects, but also to discuss specific measures to internalize the externalities of certain agricultural production methods, and all measures including specific support measures that have a negative environmental impact.

56. More specifically on the reduction commitment and Article 20 reform process, Switzerland primarily focuses on the multifunctional character of agriculture. She emphasizes “the need to establish precise rules governing the instruments enabling agriculture to produce non-commercial goods in response to the quantitative and qualitative requirements of society and the needs of consumers.” She proposed that only after such rules are established, could she negotiate on further reduction commitments. Along this line, Switzerland proposes to hold the negotiation on the criteria and scope of measures under amber box and blue box. With regard to the green box, in addition to the clarification of the rules mentioned above, she proposes to exclude an absolute multilateral ceiling, since green box measures are not trade distorting. She argues for the sovereignty to decide on the quality and quantity in providing multifunctionality. She proposes to find an appropriate definition for blue box and green box to take into account non-trade concerns and special and differential treatment. In clarifying the definition, she propose to take specific account of the following elements: development of rural areas, poverty alleviation, sustainable use of natural resources, environmental protection (including biodiversity), maintenance of the countryside, food security, food safety (including the precautionary principle) and animal welfare.

### *Other environmental issues*

57. Precautionary principle, the issues relating to production methods (labelling, GMOs, animal welfare), the internalization of environmental costs.

## b. *Economies in transition*<sup>19</sup>

58. By definition, economies in transitions were former centrally planned economies and are from the former Eastern bloc. A political interest commonly shared by these countries is the entry to the European Union and access to that market<sup>20</sup>. In this regard, many candidate countries to the EU accession aim to reform their economic systems so that they can comply with EU standards. Many countries refer to non-trade concerns with specific reference to its environmental protection component. Most countries also support the continuation of the blue box and green box domestic support measures. For example, Hungary (G/AG/NG/W/69) supports “an increase in the flexibility for policy-making offered by the Green Box with the aim to adequately reflect the inherent diversity of agricultural conditions in various parts of the world” and expressed that “we [transition economies] firmly believe that the Green Box criteria need to be readjusted so that there will be a sufficient number of policy options reasonably available for every Member [of the WTO].”

**Box 6. Reference to the environmental non-trade concerns**

**Multifunctional role of agriculture**  
Croatia (G/AG/NG/W/141), Bulgaria (G/AG/NG/W/111)

**Environmental protection/natural resource conservation**

Croatia, Poland (G/AG/NG/W/103), Czech republic (G/AG/NG/W/65)

**Erosion of the biological diversity resources**

Czech republic (G/AG/NG/W/65)

59. It is to be noted that although many have expressed their support to give flexibility related to the environmental non-trade concerns, their proposal on domestic support (G/AG/NG/W/56) focused on the difficult economic reform process ongoing in these countries. They proposed to include in the AoA more flexibility in providing subsidies to insulate the sector from sudden adverse effects from the economic transformation.

60. References to the environment and related issues are found in statements made by individual countries. In general, economies in transition support the proposals of the friends of multifunctionality on domestic support. The two groups have the overlapping interests in proposing more flexibility in the reduction commitment to enable different agricultural production system to coexist.

61. Some additional aspects related to the non-trade concerns are highlighted by economies in transition. For example, Poland (G/AG/NG/W/81), in commenting on the note on non-trade concerns (G/AG/NG/W/36) prepared by friends of multifunctionality<sup>21</sup>, points out that the decrease in production will lead to unemployment and thus to deprive the vitality of the rural communities, and to land abandonment. At the opposite end of the spectrum, Poland also notes “intensification and industrialization of agricultural production, together with transformation of urban lifestyle, can contribute to negative changes in the rural society and environment caused by deforestation and water pollution.” The Czech republic also shares her experience related to the “environmentally related non trade concerns” (G/AG/NG/W/65). She describes how environmental degradation negatively affects the important functions of agriculture, and points out that the rehabilitation depends on continued agricultural sector reform. She emphasizes that the environment and agriculture is directly related and that farmers are the providers of environmental services. The Polish proposal (G/AG/NG/W/103) lists different functions of agriculture to be preserved by developing appropriate framework in the AoA negotiation (see the box). Bulgaria (G/AG/NG/W/111), in

<sup>19</sup> Negotiation proposals G/AG/NG/W/56 and 57 were submitted collectively by Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Kyrgyz Republic, Latvia, Slovak Republic, Slovenia, Croatia and Lithuania.

<sup>20</sup> In this respect, Turkey (G/AG/NG/W/106) and Cyprus (G/AG/NG/W/158) also expressed partial support to the multifunctionality.

<sup>21</sup> Poland is among those submitted the note, G/AG/NG/W/36, without contributing a paper. She shares her experience related to this note in her statement.

commenting on Swiss proposal, recommends that the new agreement to accommodate “the multifunctional role of agriculture,” and “[a]ttention should also be paid to the environmental concerns in order to avoid the use of production methods and support measures that may have negative impact on the environment.” Croatia, in her proposal G/AG/NG/W/141, made reference to the multifunctionality under non-trade concerns. She “recognizes the multifunctional role of agriculture and

**Box 7. Non-trade concerns in Polish proposal (G/AG/NG/W/103)**

- Food security
- Maintenance of appropriate living standards in the rural areas
- Maintenance of appropriate levels of production in the sectors of special importance to the whole economy of Members
- Environmental protection
- Preservation of historical and cultural heritage

and considers that it should be given the place that deserves.” She emphasizes “the role of agriculture in sustainable development, in the protection of environment, and poverty alleviation in the areas with unfavourable economic conditions in agriculture.” She proposes certain flexibility in the AoA to achieve societal goals associated with the multifunctionality, such as strengthening the socio-economic viability and development of rural areas, food security and promoting the co-existence of various types of agriculture.

### **c. Small Island Developing States**

62. Small Island Developing States (SIDS) deserve a separate section primarily because of their high political priority in environmental issues, notably global warming. Some members of this group have also been vocal as the friends of multifunctionality.

63. SIDS as a group have tabled a negotiating proposal<sup>22</sup>. The proposal identifies three causes of the structural weakness of SIDS as diseconomy of scale, diseconomy of scope and high unit costs of input factors and transport, which are the direct results of the SIDS-specific characteristics such as smallness, remoteness, geographical dispersion, vulnerability to natural disasters and scarcity of resources, i.e. land, water, human resources and other input factors. SIDS point out that because of the structural weakness inherent to these economies, acquiring competitiveness in the short term is not possible. In the meantime, they regard it necessary to safeguard their national interests so that excessive trade liberalization should not undermine the productive capacity of their economies.

64. With regard to the multifunctionality, Mauritius has been actively participating in the promotion of the concept through hosting a meeting and contributing a paper (G/AG/NG/W/36 and G/AG/NG/W/186). Fiji (G/AG/NG/W/8) and Jamaica (G/AG/NG/W/86) expressed their support to the concept respectively. Among SIDS Mauritius is by far the most vocal in presenting her position. Her policy proposals, however, remain rather vague from operational point of view. The proposal rather provides insightful accounts of her negotiation objective “to achieve a balance between trade and non-trade concerns; one that favours the continuation of a reform process in agriculture, and one that acknowledges and provides for the diversity of agricultural systems and situations worldwide, and in particular the specificities of SIDS” (G/AG/NG/W/119).

65. Environmental concerns appear in Mauritius papers and other SIDS are significantly different from those of friends of multifunctionality, or those of economies in transition in its sustainable development context. One could say that friends of multifunctionality emphasize the societal context of the environmental interests more than others, and economies in transition the regulatory aspects, i.e. the compliance to the EU standards. SIDS considers

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<sup>22</sup> G/AG/NG/W/97 submitted by Dominica, Jamaica, Mauritius, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago, Barbados and Cuba.

environmental interests important firstly because it is of literally vital interest in the case of global warming and fossil fuel use in transportation of goods that leads to the sea-level rise which will eventually make their territory disappear. With the environmental concerns centered in policy objectives, SIDS emphasize multifunctional aspects of agriculture. For example;

The role of agriculture in all countries is not limited to the production of food and fibre. In many cases, it underpins the socio-economic fabric of rural areas and often, that of countries themselves. In a number of developing countries, *agriculture provides an instrumental link to the development of eco-tourism, the means for the production of clean energy, thereby avoiding the use of fossil fuels, the provision of social amenities and in fostering research and technology development.* Moreover, it has an important role in the protection and preservation of the environment and biodiversity.

G/AG/NG/W/75, P.1. Italic added by the author.

It is also to be noted that the instrumental value of environmental assets to achieve sustainable development is highlighted here.

66. Secondly, SIDS have a longer time frame than other countries. Mauritius, for example, is well aware that she may not be able to “balance out losses in one area by achieving benefits in another area” in negotiations because of the inherent constraints of SIDS mentioned earlier, i.e. the lack of global competitive advantage (G/AG/NG/W/119). She recognizes that existing green box measures are “of little use to [SIDS] since it requires budgetary outlays that [SIDS] do not have” (ibid.). More specifically, “[Mauritius] believe[s] that a market-only approach would not be suitable” (ibid.) since by producing one or two commodities in a small scale, they do not have the comparative advantage to be gained in the global market. She emphasizes, however, “no country will participate in an international trading system if it feels that the outcome would be that it would become a net loser” (ibid.). Rather “[i]t hopes that technological developments will one day allow it to produce, in a commercially meaningful manner, agricultural products other than the single commodity it currently produces. It hopes that one day technological developments will enable it to convert its single commodity to produce ethanol” (ibid.). In sum, by participating in the multilateral trading system she aims to achieve sustainable development in a gradual manner, sometime in the future. In the meantime, she asks for “a flexible and gradual approach, which takes into account the individual situation of agriculture in each country” (ibid.).

#### **d. Friends of the development box<sup>23</sup>**

67. Friends of the development box deserve some attention, even though their policy proposals do not contain any direct reference to the environmental issues. Indirect link to the environmental interests in their policy proposal is that the development box was proposed vis-à-vis the existing green box mainly used by developed countries. In analyzing the key argument of the group it will be clear that the fundamental argument made to safeguard non-trade concerns “on the basis of non-competitiveness” (G/AG/NG/W/13) is quite similar to that of SIDS. Environmental interests, however, are neglected in the friends of the development box group, possibly because environmental issues are given relatively low profile in the policy agenda in this group of countries.

68. As friends of multifunctionality based its argument on the non-trade concerns, friends of the development box base their argument on the concept of special and differential

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<sup>23</sup> Friends of the Development Box Group consists of: Cuba, Dominican Republic, El Salvador, Haiti, Honduras, Kenya, Nicaragua, Nigeria, Pakistan, Peru, Senegal, Sri Lanka, Uganda, Zimbabwe.

treatment. The proposal of the development box embodies an attempt to operationalize the concept in agricultural trade rules. It reads:

For reasons of national security, economic and political stability, S and D provisions giving more flexibility in agricultural trade policies must therefore be allowed to developing countries. Key products, especially food staples, should be exempted from liberalisation, and the domestic production capacity of developing countries must be encouraged and helped along to become more competitive, rather than destroyed on the basis on non-competitiveness.

G/AG/NG/W/13.

69. The proposal refers to the Article XXI of GATT, that national security may be exempted from WTO trade disciplines, as well as political independence and sovereignty as the reasons why developing countries are to be allowed the flexibility. Such policy flexibility will be “provided to increase the domestic capacity in the production of food in developing countries”(ibid.) even at the cost of economic inefficiency. It emphasizes that non-economic benefits such as “agriculture as the sole source of employment for the majority of developing countries; domestic production especially of key staple products as the most accessible source of food for the majority... outweigh the supposed ‘economic costs’”(ibid.). It strongly maintains, at the same time, that “[t]his type of flexibility... *must* be differentiated from exporting developing countries’ provision of supports in order to gain markets abroad” (ibid.).

70. In the proposal G/AG/NG/W/14, friends of the development box present problems and shortcomings of the green box and provide recommendations for amendment. They point out first that green box acted to increase the overall level of support measures; second that non- or minimal trade distortion of the current measures under the green box is doubtful with a reference to an example from an OECD publication; third that green box criteria are not tightly defined and thus are subject to different interpretations; fourth that the so-called “peace clause” to prohibit the challenge under the Dispute Settlement Body effectively safeguards the ambiguities surrounding green box criteria; fifth that in reality green box measures are affordable only for a handful of developed countries, although non-trade concerns at stake under such measures are also highly important among developing countries; and finally that the green box as it stands not only provides loopholes to certain group of countries, but also imposes a heavy administrative burden on the developing country trading partners.

71. As policy recommendations, friends of the development box proposes in G/AG/NG/W/14 to collapse the different categories of boxes into one general box, to provide flexibility only for developing countries by creating development box, and to terminate the “peace clause” so that green box subsidies can be challenged under the Dispute Settlement Process.

#### **e. Cairns group<sup>24</sup>**

72. Among this group of countries, one finds strong criticism against the alleged misuse of non-trade concerns by friends of multifunctionality group. One could also find substantial papers that discuss environmental interests among this group. Cairns group agrees that all countries have legitimate non-trade concerns. But it maintains that the friends of multifunctionality misuse them. For example, Australia states “[w]e support the legitimacy of many non-trade objectives that all countries have. However, we call for countries to examine ways in which they can be achieved that are effective and minimise distortions to production and trade” and she awaits to “see an objective investigation into the range of policy options

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<sup>24</sup> The Group consists of: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, and Uruguay.

available in relation to any specific non-trade concern” (G/AG/NG/W/166, also see G/AG/NG/W/59). More strongly focusing on environmental interests, Malaysia strongly requests that in case environmental protection measures are to be included in the green box, “the criteria should be tightly circumscribed to ensure that those measures ARE NOT TRADE DISTORTING” (G/AG/NG/W/118). Cairns group strongly emphasizes “the non-trade concerns of developing countries, such as food security and poverty alleviation, are different and should not be treated in the same manner as the non-trade concerns of developed countries” (Philippines, G/AG/NG/W/122). Colombia elaborates on this point by stating “[f]ood security is an issue that includes both a political and economic component. As regards the latter, food security should give developed countries no cause for non-trade concern, because their populations spend less than 20 per cent of their income on food, possess totally convertible currencies enabling them to handle any problem in their balance-of-payments situation and have no difficulty in financing food imports” (G/AG/NG/W/64).

### *Non-trade concerns*

73. Some delegates of Cairns group have submitted papers commenting specifically on the non-trade concerns paper submitted by the friends of multifunctionality group (G/AG/NG/W/36). Rural poverty, rural exodus, unemployment, food security<sup>25</sup> and environmental protection are among the common concerns of these countries<sup>26</sup>. Argentina submitted a technical paper “legitimate non-trade concerns” (G/AG/NG/W/88) where one finds substantial discussion on her environmental interests.

74. Technical submission of Argentina (G/AG/NG/W/88) aims to prove a thesis that trade-distortive policies of some countries are intricately related to three major non-trade concerns of Argentina, namely, rural poverty, unemployment and environmental protection. Firstly on rural poverty, Argentina assumes that it triggers environmental degradation and urban migration, which further generates societal problems such as higher unemployment rate and crime rate as well as urban environmental degradation. Then she links rural poverty with the low world price of her major export products such as maize or wheat via overproduction and export dumping by the major trading partners in developed countries, such as EU. Secondly on unemployment, citing an example of tariff escalation, she makes a case of “an environmentally and socially disastrous trade policy in terms of the adverse impacts on developing countries.” She assumes that tariff escalation of importing countries that impose higher tariffs on processed products work against the export product diversification of exporting countries. This will eventually hamper the industrial development in the urban area of the exporting country, and will augment unemployment rate given that the influx of the labour from rural area overtakes the additional job creation. The second argument related to the environment is that “tariff escalation is indirectly encouraging the expansion of commodity production beyond sustainable limits.” In other words, tariff escalation will lock developing countries in a situation where they could only rely on exporting the primary products (natural resource products) to balance the foreign currency account, and even on escalating the rate of natural resource exploitation beyond the maximum sustainable yield. Thirdly on environmental protection, Argentina points out that the implementation of sound environmental policies is necessary for land and water protection which facilitates the agricultural production. She presents a dilemma, however, that firstly “protecting the environment is very rarely paying in the short term,” and secondly that subsidies given by the third country have negative impacts on Argentina herself to the detriment of disrupting resource allocation, international trade and environmental protection. As a consequence, her

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<sup>25</sup> Argentina, Brazil, Paraguay and Uruguay (MERCOSUR), Chile, Bolivia and Costa Rica submitted a paper G/AG/NG/W/38 “Export subsidies—Food security or food dependency?”

<sup>26</sup> Australia (G/AG/NG/W/59), Bolivia (G/AG/NG/W/61), Brazil (G/AG/NG/W/62), Colombia (G/AG/NG/W/64) and Indonesia (G/AG/NG/W/71).

producers are hindered in making sustainable production decisions on introducing sustainable production methods.

75. Australia, commenting on the non-trade concerns paper of the friends of multifunctionality in her paper G/AG/NG/W/59, emphasize that “the right of [g]overnments to pursue non-trade concerns is not in question.” Rather she emphasize that the discussion to take place on “the specific policy instruments that [those governments who are serious about taking into account non-trade concerns in the negotiations] propose to use.” It also asks that “non-trade concerns be addressed in ways that achieve the best outcome for all Members.... by using simple policies, transparently administered, targeted to the objective, and decoupled from production.”

76. Bolivia, commenting on the same paper, in G/AG/NG/W/61, presents two cases that contrast differing situations in developed and developing countries on food security and environmental protection.

The need to protect the environment is another non-trade concern according to the preamble to the Agreement on Agriculture. As in the case of food security, we should look at the characteristics of environmental protection in various countries through agriculture. ...[B] y using larger quantities of insecticides, herbicides, chemical fertilizers and agricultural machinery, is it possible to preserve the environment better, bearing in mind that these inputs are significant and are those most used in agricultural production in developed countries? The main source of environmental pollution is large industrial centres and it is thus paradoxical that it is precisely some industrialized countries with the highest levels of environmental pollution which are putting this issue [of non-trade concern] on the table in the agricultural negotiations. The situation is very different in developing countries, where farmers have to supply products at low prices in order to be able to compete with products subsidized by public funds in some developed countries. This obliges them to use production methods that are not always consistent with environmental protection.

G/AG/NG/W/61, p. 2.

We are repeatedly told that the reform process is a long one, a very long one, and that this is only the second stage, to be followed by a succession of other stages. What we are being asked to do is to wait another 50 years. We are reminded by certain countries that we must take account of the growing concern of their consumers, of the families of their small-scale agricultural producers and of their rural communities. But we have not heard a single word about the growing concern of our consumers, who are being asked to live on subsidized food imports, produced with fertilizers, insecticides, pesticides and other chemicals that are harmful to human health and to the environment. Not to mention the violation of certain basic rules of nature in turning herbivores into carnivores. We have not heard a single word of the fate of rural communities which are falling apart because our farmers are forced to abandon their land and head for the cities to join the expanding poverty belts in the urban and suburban areas. We have not heard a word about the small and medium agricultural export firms which have collapsed and have had to lay off thousands of workers who have been forced to join the ranks of the unemployed or struggle for survival in the precarious informal economy. How is it possible to have such a biased and one-sided approach to agricultural trade, an approach which seeks to protect the commercial interests of a small group of rich countries by sacrificing millions of human beings in the developing countries to hunger and poverty?

G/AG/NG/W/110, page 2.

Such examples shown in Bolivian paper call for a meaningful operationalization of abstract concepts such as “food security” and “the need to protect the environment” in different situations, bearing in mind the global consequences it may bring about, and more specifically the adverse impacts on the most vulnerable economies.

### *Other environmental issues*

77. Dissemination of environmentally sustainable production methods by farmers in developing countries are hampered by the use of export subsidies (Cairns group, G/AG/NG/W/11). Food aids deprive developing countries from empowering its own production system and thus became an obstacle to achieve sustainable development (Philippines, G/AG/NG/W/48).

#### **f. African group**

78. In this group one finds an initiative to establish a mechanism that allows the environmental protection of African countries under the AoA framework. Among the twelve proposals from this region, the following five countries specifically refers to the environment or environment-related non-trade concerns: Burkina Faso, Republic of Congo, Mauritius<sup>27</sup>, Morocco, and Swaziland.

79. Moroccan proposal (G/AG/NG/W/105), under the heading of non-trade concerns, elaborates on the cooperative framework between developing and developed countries to achieve multifunctionality in agriculture. She states that multifunctional approach is more pertinent to developing countries where “agriculture is the main economic activity, employing 50 per cent or more of the active population and conditioning other associated activities” and where “the agricultural sector provides a significant share of the foreign exchange needed to cover imports.” On that ground, Morocco propose four policy

**Box 8. Policy objectives of Morocco under multifunctionality (G/AG/NG/W/105)**

- Ensure a rural development that can boost the entire economy and maintain social stability, a prerequisite to political stability
- Ensure food security by supporting domestic production
- Maintain agricultural activities and a balanced population throughout the territory;
- Preserve nature and biodiversity

objectives as shown in the box to the right to be achieved by a greater flexibility given to the agriculture sector in these developing countries. Further, she proposes a cooperative framework based on the financial assistance from the developed countries that share the multifunctional objective to create a world fund to finance multifunctional policy measures in developing countries. It notes that the solidarity between developed and developing countries under the same multifunctional objective embodied as the proposed fund mechanism is the key to counterbalance the negative effects of existing trade distortions.

80. South Africa and Namibia respectively provide comments to the non-trade concerns paper by the friends of multifunctionality. South Africa strongly cautions that only after the three pillars of negotiation agenda, namely market access, domestic support and export competition, are examined thoroughly, should non-trade concerns be dealt with (G/AG/NG/W/82). She notes that food security and the protection of the environment are also key issues to South Africa, and that there is no dispute on the importance of the issue on the condition that “all NTCs [non-trade concerns] are dealt with in targeted, transparent and non-distorting ways” (ibid.). Namibia also expresses her concerns that “multi-functionality argument can be used to hide measures that distort agricultural trade,” and is “reluctant to accept a broad definition of multi-functionality because [if] it is not precisely defined, its scope is not known and therefor[e] open to misuse” (G/AG/NG/W/76). She further argues that “concerns for food security and for poverty alleviation cannot be accorded equal status with landscape beauty, which frankly, remains a luxury for the majority of food-insecure people in developing Member states as they simply cannot afford such luxuries” (ibid.). Namibia strongly recommends, “countries [wishing to advance legitimate non-trade concerns

<sup>27</sup> As already reviewed under the Small Island Developing States group.

during the negotiations]...define such non-trade concerns precisely, indicate their scope and most importantly, provide a clearly motivated estimate of their value and implication thereof on world agricultural trade” (ibid.).

**g. *Jordan***

81. Jordan’s proposal contains two environment related recommendations. The first is under special and differential treatment “to establish a trade policy impact-monitoring program to provide the Committee on Agriculture with information on main indicators regarding the adoption of the AoA provisions, and their effect on small farmer incomes as well as impacts on environment and food security” (G/AG/NG/W/140). The second is, using an example of olive trees to point out the importance of “the trade-environmental link” and “broader development or social concerns that are tied into agricultural policy programmes” (ibid.) noting that such development and environmental goals need to be achieved without budgetary expenditures. Jordan proposes that the agriculture sector to be “protected by a flexible tariff rate to allow the government to finance their contribution to environment preservation and maintenance of the landscape, at least as long as marketing measures, such as introducing Jordanian olive oil as organic olive oil to health markets of developed countries, and structural adjustments must be made” (ibid.).

## **V. Brief Notes on Relevant Thematic Issues**

82. This section discusses some important thematic issues on achieving sustainable development, of relevance to the AoA negotiation and the environment.

### **a. Poverty alleviation**

83. Statistics clearly shows that increasing population pressure will necessitate the increase in food production. It also shows that only a part of the global community benefits from trade liberalization. For example, most people in developing countries suffer from malnutrition.

84. Agriculture is by far the most common livelihood in most developing countries. Raising the standard of living of rural population who engage in agriculture can be a direct measure of alleviating poverty in such economy.

85. Even in the developed countries with high living standards, it is recognized that urban-rural gap exists in terms of their income earning. Social policies exist to bridge the gap in certain countries.

### **b. Employment**

86. Rural employment in developing countries is often explained by the concept of underemployment where the unemployed accept jobs that do not match the capacity and capability of them. The direct results are the lower unemployment rate, but each labor force results in having a lower share of the rewards to their labour. In such situation where wages are already below the optimal, small disturbance factor will encourage emigration to urban area or neighboring countries.

### **c. Commodity price and balance of payment**

87. Many developing country economies depend on single commodity export and the diversification is to be fully realized. Volatility of the commodity price as well as declining trends on commodity price hit such economies, and worsen their terms of trade.

### **d. Investment**

88. International trade promotes a creation of a global market, and a global food chain. Transnational corporation often operates beyond the border and thus could influence the investment flow internationally. Foreign direct investment could promote the upgrading of infrastructure, dissemination of new technology and capacity building. It could also increase volatility in foreign economies that are targeted as an object of the speculative investment.

### **e. Land tenure**

89. Historical accounts of the land tenure could affect how the agricultural land is managed, and could thus impact the environment. Land tenure system could also reflect the social structure characteristic to the specific region under examination.

**f. Migration**

90. Change in the land use, especially the abandonment of agriculture, could trigger the migration towards the urban center or across the border. Demographic change associated with migration restructures the economy and society in a profound manner and thus impacts the environment.

**g. Equity**

91. Among different types of equity, international trade by definition could largely affect intragenerational equity. For example, when goods and services are exchanged across the border, the producers and consumers do not necessarily share a common physical space, and in terms of the environmental problems, the operationalization of the polluter pays principle will become difficult. Another example is that in the same country, economies that is more open to foreign trade exhibit higher economic growth compared to remote and secluded rural economies.

**h. Cultural values**

92. As long as cultural diversities are valued, different values need to be accommodated. Many societies around the world value agrarian and rural life that exists in rural communities. In many countries, large agrarian population weaves the main fabric of the society. Even when agrarian population consists of only a small part in the whole society, rural communities are valued because of the historical roots in these former agrarian societies. Cultural values that exist in such rural communities could also serve for the conservation of the biodiversity, as well as rural vitality, livelihood, and landscape as some countries propose.

**i. New technologies**

93. New technologies with novelty pose serious ethical questions to the generation that faces such novelty. Genetic engineering, or more specifically the recombinant DNA technology, could be one such example.

94. Trade between two remote economies could largely benefit from the development of new technology as long as business opportunities exist. WTO TRIPS Agreement, for example, is one example to secure such business opportunities and is meant to give the right incentive to the economic actors.

95. Non-trade barriers, such as technical regulations, could serve either as a barrier or a facilitator for the dissemination of new technologies.

**j. Capacity building**

96. Capacity building could be a powerful instrumental vehicle to achieve sustainable development. It is about empowering the national and local authorities as well as the general public so that sustainable development policies are to be implemented effectively, engaging all levels of decision-making process. Capacity building is also supported by awareness raising, promoting transparency in policy-making, and enhanced horizontal communications between the various stakeholders.

**k. South-south trading opportunity**

97. One important issue pertaining to the market access issue is that in face of trade distortion and subsequent distorted market structure and prices, developing countries with

ample exporting capacities are discouraged to export or to produce by too low world market price. Such potential but lost opportunities are the most prominent when developing countries trade with other developing countries. In terms of market preference and proximity, developing countries could have a better comparative advantage in trading with fellow developing countries, but for most importing developing markets, access is dominated by developed countries and with their bilateral or regional trade agreements, where WTO rules concede.

### ***I. Training and education***

98. Figures suggest that more training and education in farm management for individual farmer will bring about environmental benefits by, for example, the proper application of farm inputs. It has been reported that farmers' illiteracy is the main cause of the overapplication of farm chemicals. Also, if farms are to play the role of managing sustainable agriculture system in a cost-effective and profitable manner, training must be provided to that effect. Some local NGOs in developing countries provide such trainings, but it would worthwhile to expand the programme at the national level.

## VI. Next Step to Conduct Integrated Assessment

99. The overall aim of this paper was to lay out the political and environmental background against which country-driven assessment could take place. This last section will bring in elements to be considered in designing integrated assessments<sup>28</sup>.

### a. *Rationale and focus*

100. Integrated assessment on agriculture sector could (a) clarify the linkages between agricultural trade, the environment and development; (b) inform policy makers across government; (c) inform WTO AoA negotiators; (d) develop policy packages; and (e) increase transparency in decision-making.

101. The assessment could focus on the AoA, or more specifically some specific AoA provisions such as market access provisions or subsidy policies.

102. In defining the objective and focus of the study, it is necessary to bear in mind the constraints anticipated, such as data limitation or availability of indicators, who will have the stand in examining the benefits and costs (in general, for a country study, constituents/residents have the stand, but not those who are outside of the territory), which sustainable development priorities could have overriding importance to the study, and the time frame or the duration of the study.

### b. *Timing, Indicators and Public involvement*

103. Once the objectives are set, the integrated assessment needs to consider the modality of the study. Timing has to be chosen against the focus of the study. Ex ante study takes place prior to the implementation of a trade measure of the trade negotiation. Concurrent study takes place during such process. Ex post study takes place following the implementation or final ratification of a trade agreement. Each timing imposes some specific data problems.

104. Indicators perform important roles in assessment. They could measure the changing trends over time, possibly because of the change introduced by trade or trade-related policies. They could also monitor the change after any policy to rectify the negative changes is implemented. Ideally indicators are such that could possess the above-mentioned characteristics, but it is more often than not that such indicators are not available to the researchers. Researchers could collect data for tailor-made indicators, if it is feasible, or they have to use some other proxy indicators that could roughly provide the trends researchers hope to observe. Data availability may constraint the choice of methodology or the setting up of the modality to conduct the study.

105. As long as the impacts of agricultural trade policies penetrate into the life of different layers of citizens as well as businesses, information sharing, consultation and public participation are essential to the *raison d'être* of the study. It also validates the efforts and the good will on the side of those who conduct the study. Such effects are important predicaments when the policy proposals coming out of the studies are to be accepted in the decision making process.

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<sup>28</sup> Integrated assessment deals with environmental, social and economic aspects of the impacts associated with trade-related policies. See *Reference Manual for the Integrated Assessment of Trade-Related Policies* (UNEP, 2001)

106. Through this exercise of conducting assessment and involving a wide range of stakeholders, it could build capacities within the countries so that it could analyze and react to the change introduced by trade-related policies.

### **c. Analytical process**

107. Based on the objectives set and modalities taken, researchers can choose an analytical framework and suitable methods to measure the change to be examined. A wide range of framework and measurement techniques is at disposal of the researchers<sup>29</sup>.

108. It is recommended that the researchers start with a preliminary assessment using a simple diagram that identifies the major impacts of trade-related policies under examination. Major impacts identified could be screened so that the study is the most cost-effective and has the major impacts on the policy making process. Impacts identified are to be examined under reliable cause-effect linkages to give meaningful policy suggestions in the next step. Macroeconomic, microeconomic or other social science methodologies are available to serve this purpose. Finally, in some cases, the changes or impacts could be quantitatively measures to give a clearer overview of the situation. In other cases qualitative values could assist policy makers in making decisions. The assessment shall be a tool for policy makers to collect information and to decide on policy options, as well as for the public and business sector to observe and evaluate such decisions, and possibly propose an alternative, if possible. The clearer the study is, the easier to communicate between stakeholders.

### **d. Policy Response**

109. The assessment process could lead to adopt some policy responses. Such policy responses may include the modification to trade policies or implementation of policies that will complement the positive impacts and reduce the adverse impacts of trade measures.

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<sup>29</sup> *ibid.*