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The Cairns Group of agricultural countries held its XXVI Annual Ministerial Meetings in San Jose, Costa Rica, Feb. 23-25 to focus narrowly and deeply on what Costa Rican Ambassador to International Organizations Ronald Saborio called a "profound discussion about export subsidies." This is the discussion, he explained, that they couldn't have at the aborted V Ministerial Conference of the World Trade Organization (WTO) five months ago in Mexico (see NotiCen, 2003-09-18), and it is designed to "send a message" about the need to come to agreement on the issues.

This meeting was predicated on the fact that the US, recalcitrant and dug-in regarding subsidies because of competition with Europe, was now ready to talk. "The Cairns Group is a coalition of 17 agricultural-exporting countries that account for one-third of the world's agricultural exports.

Since it formed in 1986, the Cairns Group has succeeded in putting agriculture on the multilateral trade agenda and keeping it there. It was largely as a result of the Group's efforts that a framework for reform in agricultural trade was established in the Uruguay Round and agriculture was for the first time subject to trade liberalizing rules, which are set out in the WTO Agreement on Agriculture," says the organization's Web site.

Members of the Cairns Group are Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand, and Uruguay. They are "urging the developed countries, which are the principal users of trade distorting subsidies, to take leadership in agricultural negotiations. These countries continue spending nearly a billion dollars a day to support their producers," said a press release. The group, whose member countries are also WTO members, recalled that the IV Ministerial in Doha, Qatar, three years ago pledged to negotiate the subsidies. Now they have met to get what has eluded them, "substantial reductions of every internal support that distorts trade."

Costa Rica anti-subsidy policy

Elimination or substantial reduction of tariffs is a requisite for membership in the organization, named for the Australian city where it was founded. Costa Rica entered in 1999 after several years as an observer and after demonstrating compliance with a number of requisites, including dropping almost all forms of aid to producers. So committed is Costa Rican policy to the concept that it was Foreign Minister Alberto Trejos' central theme in his speech to the WTO at Cancun. Trejos' message then was that agricultural trade must be, first, unequivocal in its commitment to elimination of subsidies.

Second, a framework must be agreed to for the elimination of these barriers by the two big developed blocs, the US and the European Union (EU), and third, they must permit greater reciprocal access to markets. Significantly, the group encompasses underdeveloped countries like

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Guatemala and fully developed countries like Canada, Australia, and New Zealand, as well as those that fall somewhere in between. The Cairns Group functions more on consensus than on confrontation, largely because of the disparities in economic might.

Agriculture accounts for 19% of total trade of Latin American countries. It represents 10.7% in North America, 9.4% in Europe, 15.8% in Africa, and 6.6% in Asia, according to the WTO, which pegs agriculture at 9.3% of total world trade.

WTO seeking a Cancun reprieve

The WTO has enough riding on the outcome of this meeting to have dispatched its director, Supachai Panitchpakdi. So has the US, which sent US Trade Representative (USTR) Robert Zoellick, and Mexico, represented by Foreign Relations Secretary Ernesto Derbez. Panitchpakdi said he was attending as an observer, but Trejos said the director's presence, together with that of the Mexican and US authorities, would be helpful in getting the parties closer.

Though Panitchpakdi was not there as an active participant, neither was he neutral on subsidies. Just prior to the start of the meeting, he demanded their elimination, specifically noting their depressing effect on world markets to the detriment of exporting countries. "The longer the system of subsidies is permitted to persist, the more difficult it is going to be to combat poverty in the developing countries," he said, adding that a recent letter from the US to other WTO countries urging them to fix a date for elimination of subsidies made him optimistic about a multilateral stand-down on the question. "I hope that the process, which has been strengthened in the last few weeks, might finally favor the elimination of all subsidies that distort markets," Panitchpakdi said.

He would not, however, venture a timeframe for this to come to pass because, he said, subsidies were not the only obstacle that had to be resolved in agricultural trade. "For other countries like Japan, the major problem is not subsidies, but rather opening their markets by reducing tariffs on these goods," he offered as an example. Panitchpakdi recommended that, because there was more to the problem than just the subsidies, the countries "get together to create bridges and links with other countries and alliances to be able to negotiate with greater strength against partners like the European Union."

He also recommended that developing countries undertake "true agricultural reform." The remarks seemed to fly in the face of historical fact and begged explanation that was not offered. Among the apparent contradictions, Costa Rica and Guatemala, along with three other Central American countries, just concluded a trade agreement with the US in which it was well demonstrated that the weaker nations were entirely overwhelmed by the stronger and were unable to muster or maintain the strength Panitchpakdi suggested was possible. In fact, much the opposite happened.

Costa Rica, the strongest of the Central America Free Trade Agreement (CAFTA) countries, had to break away from its regional partners to broker a better deal with the US, while Guatemala, one of the weaker countries, was first to break away from the pack to capitulate to the US. Now both countries find themselves in a new negotiating venue hoping to regain what they've already bargained away. Brazil came to the meeting with the intention of integrating the Cairns Group with

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the G-20, the group headed by Brazil, India, and China and credited with sinking the WTO Cancun meetings, something that the Cairns Group was unable to do (see NotiSur, 2003-10-10).

Brazilian Minister of Agriculture Roberto Rodrigues' office explained that "the interests of the two groups are very convergent, and we are going to try to come together," taking advantage of the overlap of countries that are members of both groups. Uncovering another of the abundant contradictions, Rodrigues took note that the Feb. 8 trade agreement between the US and Australia would hinder negotiations, since Australia thereby became another country to trade agricultural access to the US for, in this case, US access into the Australian pharmaceutical market. "What we hear from Australia in the Costa Rica meeting is very important for the future of the group," said the Brazilian.

Also important was what they heard from the G20 partner and agricultural colossus India. In an apparent reversal of what The Financial Times called "categoric recent statements by Indian ministers ruling out reductions in farm subsidies," India is now reportedly ready to reduce or eliminate subsidies and tariffs if others do so.

The rhetoric has changed from Finance Minister Jaswant Singh saying three months ago that he could not "recommend that India ever give up supporting subsidies relating to the agriculture sector. Nobody on earth can," to a more recent statement from Finance Secretary Dr. S. Narayan. "A lot of opportunities and options are on the table," Narayan said. "We are happy to look at a phased reduction. We would be willing to reduce [farm] subsidies at the same rate as other countries." But, he said, "We are not getting any clear message from the US and the Europeans on the kind of path they would like to follow."

A world away in Costa Rica, USTR Zoellick was providing an agonizingly mirrored message. Facing the press with Trejos at his side, he said, "We would like eventually to eliminate all those subsidies if we can get other countries to eliminate theirs and open their markets." These remarks, however, were aimed not at Europe, but at Costa Rica. Zoellick was proposing that subsidies would fall if Costa Rica played a constructive role among developing countries by opening its markets and dropping its subsidies. "Here is where Costa Rica and other countries are important because they are disposed to help other developing nations to open their markets," Zoellick said. He then went on to blame the EU for the current state of international agricultural trade rather than his own country with its massive Farm Bill, leading Trejos to comment that the USTR had deftly "returned the ball" to the European court.

All this led Jose Antonio Madriz, president of the Camara de Agricultura de Costa Rica, to remind both Zoellick and Trejos that this has been going on, with little movement, for the last 18 years, and he asked of them and the Cairns Group "deeds, not words." Almost as they spoke, the WTO shot the ball back into Zoellick's court by issuing a ruling authorizing the EU to impose sanctions against the US for implementing anti-dumping rules, previously ruled illegal by the WTO, on what the US considers subsidized EU products.

At the conclusion of the meeting in San Jose, Trejos summed up, "The meeting included a very useful deliberation on the necessity to cooperate with other groups within the WTO, especially the

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G-20, in the work of achieving a significant reform in the agriculture sector." Acknowledging the alliance with G-20, Australian Minister of Agriculture Mark Vaile said, "We have a shared objective to significantly reform the globalization of agricultural trade." He said they "agreed unanimously that subsidies must be eliminated" and that, while all nations need to provide market access, it must be done with appropriate flexibility for developing countries.

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