

# **CUTS Symposium on Trade in Primary Products and Competition Policy**

## **Report**

### **Background**

1.1 On Thursday, the 22nd of September 2011, CUTS International together with the Centre for Economic Policy Research (CEPR) and with support from Agence Française de Développement (AFD) and European Commission (EC) under its PEGGED programme organized a Symposium on Trade in Primary Product Markets and Competition Policy.

1.2 Primary product markets are complex in their structure and susceptible to a variety of factors that are seen to cause volatilities in their prices. Not much has been understood about the factors determining such fluctuations as well as anti-competitive practices prevalent in such markets that ultimately affect the objectives of national economic development.

1.3 A sound theoretical understanding of the market structure and the distortions therein is critical in understanding market dysfunctions and governance challenges in the primary product markets. This is an imperative along with the objective of designing a sound domestic competition policy framework so as to successfully target such market imperfections. Such policy options should be looked at how they complement the relevant WTO agreements.

### **Objective & Scope**

2.1 Given this background, the objective of this Symposium was to enhance understanding about the existing challenges in the functioning of primary product markets so as to evolve a comprehensive economic governance regime to address anti-competitive behaviour and other related concerns.

2.2 The following issues were covered in different thematic sessions:

- Understanding how primary product markets work
- Anti-competitive practices and market structures in primary product markets
- Governance challenges

- Systemic issues and policy options for the future

2.3 The Symposium witnessed a high-level participation of experts in trade and competition issues in primary products from different parts of the world representing multilateral institutions, governments, academic community and civil society. All the presenters and many of the discussants are highly reputed experts and brought great value to the symposium.

### **Opening Session:**

3.1 The session was chaired by Ramamurti Badrinath, Director, CUTS Geneva Resource Centre (GRC). He regretted the absence of Pradeep S Mehta, Secretary General, CUTS International, who was scheduled to be chair of the session but was unable to attend the same due to a public consultation meeting at New Delhi on the new draft National Competition Policy---an initiative of CUTS.

3.2 In his remarks he stated the underlying objective of the symposium as an opportunity to understand the complexity and challenges in the functioning of primary product markets, so as to evolve a comprehensive economic governance regime to address the anti-competitive behaviour and other related concerns.

3.3 Thereafter opening remarks were made by Frederic Jenny, Chairman Competition Committee, Organisation for Economic Co-operation and Development (OECD), while Alejandro Jara Deputy Director General WTO delivered the keynote address.

3.4 Frederic Jenny noted that primary products, be it mineral or agricultural, play a crucial role for the economies of a number of countries as tools for development in some and as inputs for others. Therefore, price swings of these products are a concern for many governments. Among the determinants of the prices for primary products are trade restrictions, speculation and demand, which call for an examination of where trade, competition and other policies can be harmonised to address these issues. He also noted the need for an international agreement on competition that would shield developing countries from adverse effects of export cartels.

3.5 Alejandro Jara stated that the focus on agricultural markets was timely given the developments in the world economy, and that the issues of investment, and competition should form part of the work programme at the World Trade Organisation (WTO). There is need for deeper international cooperation among the competition authorities that would enable governments to act decisively in protecting markets. However, issues of capacity building for developing and least developed countries must be looked into and improved. The symposium and ensuing debate as well as research would be very useful in advising policy makers on the way forward in addressing these issues. He

acknowledged the role of CUTS International, a consumer oriented organisation, in bringing these issues to the fore-front.

### **Session I: How do Primary Product Markets Work?**

4.1 The session was chaired by Flavio Damico, Deputy Permanent Representative Permanent Mission of Brazil to WTO, who noted that primary products are of special interest to developing countries and their regulation through competition legislation should have been part of the WTO Doha mandate.

4.2 The main presenters were Steve McCorrison, Professor of Agricultural Economics, Exeter Business School, UK and Marian Radetzki Professor of Economics, Lulea University of Technology, Sweden while the discussants were Jamel Zarrouk, Chief Economist, Arab Monetary Fund, Abu Dhabi, Qian Hao, Associate Professor, China University of Political Science and Law, and Ahmed Ghoniem, Professor of Economics, Cairo University.

4.3 In his presentation Steve McCorrison, gave the background and characteristics of economic markets and how they inter-weave to give rise to volatility. He then presented an overview of recent events in primary products markets and noted that in real terms the price rises were less than those experienced in the 1972-74 crises. Volatility is a major characteristic of primary products markets that experience price changes much more than other commodity markets. However, government policies and interventions often create externalities on world markets.

4.4 On competition related issues, he noted the manipulation of markets through international commodity agreements and wondered whether these amounted to cartels. He said further that state trading enterprises often create anti-competitive situations in the primary products market. He concluded with several observations and issues for further consideration.

4.5 Marian Radetzki's presentation was on exhaustible resources, in which he described in detail their price trends in the long run. He noted that commodity booms result from demand shocks leading to high prices but these characteristically take a short time.. However the recent sustained boom that has persisted since 2004, could be attributed to the pace of development in Asia. Taking somewhat of a departure from the majority viewpoint on the issue, he noted that speculation has no real impact on price changes or volatility and it is premature at this point to introduce policies in this regard. He called for further research in understanding these issues.

4.6 Jamel Zarrouk reiterated the issues raised in Steve McCorrison's paper, and added that in understanding the structural changes in commodity markets, due consideration of other issues such as bio fuels merited examination Qian Hao focused on the policy issues of the discussion, where she drew attention to the effects of the

dynamics in primary product markets, especially the fast-growing emerging economies. She emphasised that the response of those countries to the instability in prices should be considered in understanding the functioning of primary products markets. Development strategies of the emerging economies present new trends and developments on which limited studies have been conducted and need to be further evaluated.

4.7 Ahmed Ghoneim noted that the distinction between food and other commodities is prominent and might not differ in either the developed or the developing countries. He also noted that competition in developing countries is largely affected by the informal sector whose effect is yet to be understood.

4.8 Interventions from the floor included the need to understand the effects of speculation on primary commodity markets.

## **Session II: Anti-competitive Practices in Primary Markets**

5.1 Ambassador Tim Yeend, Ambassador and Permanent Representative to the WTO of Australia chaired the second session dedicated to anti-competitive practices in primary markets. Speakers in the session were Frederic Jenny, , John Connor, Professor of Agricultural Economics at Perdue University, Indiana, US, and Bibek Debroy, Professor of Economics at Centre for Policy Research and International Management Institute, New Delhi, India, accompanied by Marc Ivaldi, Professor at Toulouse School of Economics and Ecole des Hautes Etudes en Sciences Sociales, Toulouse, France and Aradhna Aggarwal, Director, CUTS, Jaipur, India, as discussants.

5.2 Tim Yeend started the session with a short overview on Australia's work in the area of opening up of markets. A great percentage of revenue in Australia is obtained from primary products; hence Australia is vigorously trying to push for a greater openness of markets and for greater market access for primary products within the WTO. Improving competition for markets is in his view one of the key issues despite Doha not showing any results. He concluded his introductory remarks by stating that competition regimes are very complex but exemption from competition rules are viable in all regimes and in every market anti-competitive behaviour is considered to be illegal.

5.3 Frederic Jenny gave a presentation on international export cartels and primary products. The reasoning behind focussing on export cartels is that they have a significant influence on prices in general and on the swing of prices of primary products in particular. Interestingly they are usually not covered by competition policy. Jenny distinguished five different types of trans-border cartels and elaborated on the difference between export cartels and international cartels. The main difference between export cartels and international is that in international cartels, producers are from different

countries whereas in export cartels they originate from the same country. Further differentiation is made between government sponsored export cartels and private export cartels. EU law does not apply to either when the activity is carried out without distorting the EU domestic market.

5.4 Similar treatment, explicitly or implicitly, is to be found in other anti-trust laws as well. Jenny scrutinised why export cartels, which are exempted from anti-trust law, should be treated differently than international cartels. One reason is that export cartels can have beneficiary effects; by grouping their resources, for example, they can make exports more efficient. One practical example is the Canadian potash export cartel which has performed great influence on world prices. Although everyone potentially is conscious about being a victim of export cartels, every country continues to exempt export cartels from national competition law and there is no clear understanding about how to address this problem. Academia is arguing for a differential treatment between private and government sponsored export cartels. With regard to private export cartels two solutions are conceivable:

1. partial or total repeal of explicit or implicit exemption from competition law; and
2. plurilateral or multilateral agreement on transparency and cooperation on competition with respect to export cartels.

5.5 With regard to government export cartels, the solutions proposed are:

1. total ban of government sponsored export cartels in developed countries;
2. partial ban of government sponsored export cartels;
3. balancing of interest; and
4. creation of a reverse anti-dumping style remedy where export prices exceed the normal value in the WTO.

5.6 John Connor gave a presentation on price effects of international cartels in primary products markets. Connor first raised the question whether primary product cartels are indeed different from secondary product cartels. This question however, remains to be explored. Secondly, he dwelled on whether international cartels exploit developing countries. The answer to this is partly that developing countries are actually exploiting themselves. To allow for a first step toward the answer of these questions, he examined the price changes induced by private international cartels in primary product markets.

5.7 Two data sources have been used by Connor for his study; Price-Fixing Overcharges and Private International Cartels. It has been observed that since 1945 cartel overcharges of primary products cartels are higher on average than for secondary products. Although the number of national cartels has increased drastically however,

their overall numbers still remain low. Thus the exploitation does not come from them but from international cartels. Hence, primary cartels are global cartels.

5.8 A look into the history of anti-cartel enforcement shows that since 1990, cartels have been outlawed almost in every national law but the methods to discover cartels differ in every country. In general the number of cartel discoveries has increased; penalties for cartels are on the rise as well but remain sub-optimal and the increasing power of antitrust authorities leads to a decline of international cartel overcharges. Until today about 50 anti-trust authorities have investigated international cartels.

5.9 The results of Connor's study show that primary products cartels are shrinking in number and importance but price effects are more injurious when they emerge, partly because they are strongly associated with global cartels. To avoid these consequences higher penalties, particularly outside North America and Europe, are needed because the voluntary engagement into a cartel is taken after a comparison of the benefits incurred through the cartel and the costs incurred through the payment of penalties in case of detection.

5.10 Bibek Debroy clarified that when talking about primary products, we are in fact talking about agricultural products, which is the only part of primary products of concern in his view. The consequences of food price inflation are borne mostly by the poor. He gave an example of India's procurement policy whereby the government procures food grains at a certain fixed price from the seller for the public distribution system. The delivery part of this public distribution system, however, does not work efficiently partly because of poor storage and other attendant issues. Thus the surplus that cannot be stored is exported at a price which would be lower than if the same was sold to the Indian consumer.

5.11 He referred to this as a scam because intrinsically the rice is taken from the government and sold on the world market. The discourse so far has been on cross border trade but in a country like India, cross border is only a peripheral issue because what matters is the internal trade. In India distorted price signals are in place making trade even between regions difficult. The competition policies as discussed during the symposium would not redress the challenges faced by India in this regard since it is the government policy itself that distort the market prices.

5.12 Marc Ivaldi concluded that international cartels are not easily detected and prosecuted but clearly competition authorities are increasing because the number of cartels is also on the rise. Ivaldi argued that non enforcement of competition law has an impact on prices but a lot of data on enforcement of competition law is still missing. He further called for a case by case analysis in order to assess the impact of international cartels on primary product prices. The sole evaluation of a cartel in Brazil which has a

great impact on prices can produce important results for the evaluation of all cartels which consequently have a much bigger impact on prices.

5.13 Kusha Haraksingh, Chair of the Caribbean Community Competition Commission, was not able to attend the symposium. Nonetheless Aradhna Aggarwal presented the comments made by him on Connor's and Jenny's presentations. In his view, export cartels are a subset of international cartels. Connor raised the question of how the patterns have changed over the years. But the number of cartels itself does not reflect much. It is rather necessary to normalise the indicator of cartelisation and to determine how it can be normalised by the GDP indicator. Jenny's paper has shown how cartelisation can affect subsidies, the adverse effects that cartelisation can have on prices and government subsidies and has given some solutions.

5.14 Haraksingh felt that neither paper mentions the current concerns to the international trading system relating to buyers cartels, namely, the missing disciplines with respect to the sale of primary commodities from developing countries and the possibilities of buyers in the developing countries to collude to fix prices for raw materials originating in the developing world.

5.15 Aggarwal finally pointed out that even if she agrees with Debroy she differed in her opinion on the issue that competition policy is redundant. On their own, all public policies are important and complement each other.

### **Session III: Anticompetitive Practices: Governance and Challenges**

6.1 Guillermo Valles, Director International Trade in Goods, Services and Commodities, UNCTAD chaired the third session entitled 'Anti-Competitive Practices: Governance and Challenges.' Simon Evenett, Professor of International Trade and Economic Development and Director of Swiss Institute for International Economics, University of St. Gallen, Switzerland and Aradhna Aggarwal, Director CUTS International were the main speakers in this session while Eugenio Diaz-Bonilla, Executive Director for Argentina and Haiti, Inter-American Development Bank, Washington, DC, US and Dmitri Rylko, General Director, Institute for Agricultural Market Studies (IKAR), Moscow, Russia were the discussants.

6.2 Simon Evenett in his presentation covered four major points - i) the questions raised by the resort to export restrictions; ii) the resort to export restrictions on commodities during the recent global economic downturn; iii) economics of export restrictions; and iv) alternatives to export restrictions on commodities

6.3 He further posed a few key questions in regards to the use of export restrictions. He comprehensively explained the major players who resort to the use of export restrictions and how countries are hurt by such measures. The consequences of export restrictions were also discussed in the session and a further thought to the

available/preferred alternatives was also provided. Evenett expressed the view that export restrictions are not rare and are implemented by a wide range of countries. In his analysis, he provided a clear picture of number of export restrictions imposed especially by the G-20 countries. The examination of data/figures, revealed an increased tendency to resort to export restrictions in the year 2009-10 which was likely to remain in 2011. Many governments have resorted to export restrictions or taxes on primary commodities during the recent global economic downturn. In addition to the frequency of imposition, Evenett expressed that these measures frequently harm the commercial interests of the poorest countries, the LDCs. He emphasised that given the importance of export restrictions, the topic should be high on agenda when formulating a policy.

6.4 Evenett further elaborated on the effects of export tax and mentioned that they are imposed to the advantage of the buyer in domestic market and discourage the seller. However, the internal effect of export taxes is that they are highly redistributive in nature and, therefore, distort markets. The redistributive nature makes export restrictions a not so favoured tool.

6.5 Evenett further went on to discuss the preferred alternatives to export restrictions in order to promote food security, conservation of natural resources, raising government revenue etc. and assessing the need to strengthen multilateral rules on export restrictions. In conclusion, he mentioned that for every stated purpose for export taxes or restrictions, a preferable policy exists and recommended that the use of the latter should be encouraged. This recommendation implies that there is no conflict between attaining food security and environmental objectives and eschewing export restrictions. In fact, there is a need that the multilateral rules be revised to ban the use of export taxes and restrictions and mandate the use of non-discriminatory alternatives. However, this is possible only if the governments have the expertise and resources to implement those alternatives. This further implies an increased role for technical assistance and independent advisers.

6.6 Aradhna Aggarwal presented the issue of cartelisation in global markets for primary commodities, governance challenges thereof and the way forward. At the beginning of her presentation, Aggarwal explained the two fold motivation for conducting the study – i) high dependence of developing countries on primary sector exports; yet dominance of some countries in world-wide trade of these products; and ii) steep rise in commodity prices, impacting both the developing and developed world adversely. Nonetheless, her presentation covered the anti-competitive practices of international export cartels. She posed an important question whether presence of export cartels in commodities is significant and went on to explore various studies in this regard. She mentioned that a majority of private cartels do not come to light and sometimes also fail to show an impact on trade, producers and consumers. However, she expressed the view that cartels in the up/downstream industries may have serious implications on trade in primary products.



6.7 Aggarwal then examined if there are enough incentives for the cartels to flourish in primary products sector. She reasoned that large concentration of natural resources and availability of extraction skills and infrastructure may provide these cartels to succeed in the primary product sector. However, Aggarwal examined that there are several de-stabilising factors as well such as natural entry barriers, large number of buyers and participants, which may impede the success of these cartels to be in primary sector.

6.8 Aggarwal while explaining the existing international agreements *vis-à-vis* cartelisation also touched upon the role of national competition policy in the context of export cartels. She explained the economic implications of export cartels and emphasised that anti competitive practices adopted by export cartels may have a disastrous effect. In this context, she examined one case study on downstream industry (coffee) and one upstream industry (fertilisers).

6.9 She further explained the governance challenges faced and pointed out two set of solutions i.e. unilateral and multilateral solutions. In regards to unilateral solutions she mentioned that private actions for damages should be allowed. On multilateral solutions, Aggarwal stated that strict disciplines on export restrictions need to be put in place and remedies such as safeguard rules and reverse antidumping measure be taken. Aggarwal also insisted on multilateral agreement on competition and reiterated the creation of an international competition authority, a long time stand of CUTS on the issue.

6.10 The way forward suggested by Aggarwal was to build domestic and international capacity to carry out the reforms and to provide for agreements on information sharing on cartels. She also expressed that an International Competition Fund could be created, and insisted on technical assistance by the WTO in this context.

6.11 Eugenio Diaz-Bonilla mentioned that the presentations covered a lot of ground on cartels especially on export restriction related issues. He commented that, Aggarwal's paper could be treated as a base paper as it provides a general idea on the subject and provides a framework to set the tone for other papers. He expressed the view that different welfare effects and analysis from the point of view of consumers (rather than only the competition authority) especially in relation to supermarkets could provide some clues on the issue of benefits to consumers, intermediaries and the producers. On Evenett's presentation, Bonilla commented that the issue of prices has a lot of impact on markets other than the domestic markets and cited example from Argentina where imposition of export taxes led to price spike. He also expressed the view that welfare effects for Argentina decreased with the elimination of export taxes and the structure of production moved to primary products which led to a negative impact on GDP and on the employment.

6.12 Dmitiri Rylko, the other discussant, explained that export restrictions are being imposed more frequently and rapidly in Russia, Ukraine, and Kazakhstan. He cited various examples from the three countries in this context and stated that since 2007, there is no single year when these countries have not resorted to export restrictions with

a motive to sell cheap and affordable wheat. He further submitted that it is important to look into the key motives which establish export restrictions. He drew attention to the macroeconomic conditions created by export restrictions as against the background of world prices going up. Following extraordinary droughts last year, he mentioned that the transparent export tax system was temporarily replaced with more trade-distorting export bans. This year, however, Russia is back on the world grain market as a major exporter. In this context, he stated that since the causes and motivations are different, the remedies adopted should also be different in each case. He insisted that necessary mechanisms should be put in place and also that a system for transparent markets is initiated. He further expressed a need for reliable country crop insurance and an effective coordination between financial community. Lastly, he submitted that in this era of high price rise in commodities, more aggressive steps are required and called for creation of international commodity funds as a safety reservoir for the world although it is an expensive affair.

6.13 During the floor discussion, interesting questions were posed in relation to export restriction in developing countries, to which the panel answered satisfactorily. While reacting to the comments from discussants and the other floor discussion, Evenett insisted that the countries should exercise alternative policy options before jumping to export restrictions. In this context, he suggested that examining and compiling country experiences would be useful.

#### **Session IV: Systemic Issues and Policy Options for the Future**

7.1 The fourth session of the symposium discussed systemic issues and policy options for the future, including the potential role of competition policy in improving the performance of primary products markets, conflicts of jurisdictions and overlapping remedies and the way forward. It was chaired by Mr. Michael Plummer who started by noting the relevance of this discussion in the current debate before giving the floor to the two speakers.

7.2 Will Martin made a presentation on the agenda for multilateral cooperation in reducing price distortions to international commodity markets. He discussed the many measures that affect commodity markets both on the import and export sides, the reasons motivating their choice and their effects, as well as policy options. Price-distorting measures include, but are not limited to, import licensing, competition policy, state trading (often used as a quantitative restriction), safeguard measures, and export restrictions and are chosen for their effects on price levels and volatility.

7.3 Although insulating policies are sometimes pursued with the aim to lower domestic prices during world price shocks, he warned these could destabilise real incomes when in fact such policies are ineffective in stabilising domestic prices. According to him, these policies accounted for 45 percent of the 2008 increase in world rice prices. Another price-affecting measure is export restrictions intended to lower domestic prices relative to world prices. However, they result in increased world prices and reduce importers' confidence in world markets. Japan's proposal to replace export

restrictions in the WTO agreements with export taxes is an idea to explore. He concluded by providing views on potential policy responses including the need for good data and analysis, and investigating whether such policy has major international spillovers.

7.4 Robert Anderson then spoke about competition policy and the multilateral trading system. He started by welcoming CUTS' initiative for organising this meaningful event before broadly discussing the role of competition in the WTO based on the paper he had submitted, and according to which effective competition policies are crucial to a development-friendly multilateral trading system. In addition, there is a need to re-engage the trade community in competition debates.

7.5 It is noteworthy that RTAs do include detailed competition components, which proves that trade and competition can be considered together in international agreements. Moreover, competition policy already exists in WTO agreements (GATS, TRIPs etc.) in important though limited ways and it may be important to address the issue through a more systemic approach. He exemplified the synergies between competition and the multilateral trading system by saying that anti-competitive behaviour can undermine or prevent gains from trade liberalisation, and that cartelisation regarding public procurement processes lead to misallocation of public resources and is potentially trade restrictive. In fact, the liberalisation of government procurement needs to be accompanied by effective competition policy to reap development benefits.

7.6 Vera Thorstensen, who was a discussant in this session, observed that in the WTO there is need for members to re-examine competition issues through a transparent exercise. Commenting on Will Martin's presentations, she noted that no one ever talks about the impact of exchange rates on effectiveness of trade instruments, which according to her is huge and largely impacts policy effectiveness.

7.7 Simon Evenett, the other discussant, pointed out that there is a real imbalance in knowledge to be filled. He also mentioned the importance of political economy processes, given that market-distorting interventions are often advocated for those with vested interests. According to him, focussing on trade barriers without looking into competition will result in winning the battle but losing the war. Finally, he said that another threat is the upcoming clash between intellectual property law and competition law.

7.8 Interventions from the floor discussed issues revolving around the practicability of the competition components in RTAs, the need to take into account exchange rate fluctuations and the suitability of WTO negotiations for a competition agreement.

## **Closing Session**

8.1 The symposium concluded with the final remarks by Frederic Jenny and Ramamurti Badrinath who summarised the discussions in the four substantive sessions of the symposium and outlined an agenda to take these discussions forward.

8.2 Frederic Jenny provided a comprehensive summary organised around the following points:

- a. The discussions in the symposium had started with the question whether different primary product markets were different from other product markets and, if so, what are the specificities of primary product markets and what determines these specificities. The answer to the first question is in the affirmative and there is also a consensus that all primary product markets have some common features.
- b. Panellists and discussants agreed on what politicians have not managed to agree on. The discussion on speculation for example was very short because all participants agreed that there is no proof that speculation distorts market prices or that it does not. Thus economically there is no valid argument. However, a politician's first reaction with regard to speculation would always be to go against it.
- c. Sessions three and four dealt with the measures that are to be taken against market distortions. After agreeing on the proper measures discussants realised that these are exactly the measures politicians would not take as they choose the most drastic and easiest of measures. However, alternative measures are available and were presented during the symposium and thus the question remains as to why these measures are not considered in politics and why economists' proposals are not followed by policy makers.
- d. The discussions have shown that when studying primary products, integrated thinking is necessary and primary markets cannot be considered separately from one another. This was illustrated during the symposium by the discussion on the vertical chain where it was agreed that more competition on the level of primary products might not necessarily benefit consumers because of the numerous inter-relationships with other levels. The issue of integrated thinking also played a role in the discussion about negative externalities resulting from government and private actions in the market. These actions cannot be studied in isolation from others, e.g. in order to assess their net effect, the reactions to these actions by other market players including foreign governments have to be taken into account as well. Hence more analytical work has to be conducted to try to see practically and theoretically what the various interactions are.
- e. The question whether market structures in primary products made a difference with regard to the effects of speculation and also the question whether government behaviour was increasing the problem have also been dealt with. This raised the further question, i.e. whether we can identify situations where private behaviour - particularly in exports of primary products - makes a difference. Here export cartels and international cartels were the main points under discussion. Discussions reflected on the issue whether these cartels are addressed in national legislations. The answer has been twofold. These cartels are covered in the national legislations, international cartels more than export cartels, however this does not seem to be sufficient and more work needs to be

done because these cartels have contributed to the increase of primary products prices and consequently decrease in demand and more volatility as shown by the potash example.

- f. Attention was drawn to the fact that focussing on the competition problem at the international primary product level sometimes leads to disregarding competition problems at the national level. The example of India and food security posed the question whether restrictions to trade and other anti-competitive measures on the national level were not more important to be regulated in order to do something about anti-competitive structures of the primary product market. A definitive answer to this could not be given. Probably both the national and international levels are important but the weight of each need to be assessed.
- g. In its final part the symposium focussed on what governments try to do to reduce the instability of the primary products markets. With respect to this, export restrictions were the main issue under discussion. Here it has been established that there are clearly better policies at least in the long run but these are not followed by governments. The question here is what the reasons for the great divide are between what needs to be done to achieve stability and what is done in practice. Is it because governments have a short perspective or because they prefer policies that show results faster? Practice has shown that it is difficult for governments to understand that if one country takes measures to protect and isolate itself from instability it is actually creating instability elsewhere. This externality dimension is of great importance and has been captured in the discussion.
- h. As to the way forward, there was a little ambiguity. In order to bring about stability there are different actors and thus different measures that can be taken. There is the WTO, trade negotiators in particular as well as competition authorities. The discussion on this issue has been carried out in somewhat general terms. But the result of the symposium is that more work, empirical work in particular, needs to be done in this area and a clearer message has to be addressed to public policy makers. The feasibility of solutions proposed needs to be discussed further; some solutions involve costs for their putting into place which has to be taken into account. One feasible solution seems to be to keep in place some of the existent private practices that could substitute required and costly government practices.
- i. Whether this issue can be revived in the WTO outside of the Doha Round has been mentioned. But it is possible that this issue has to be studied in an environment with less pressure, e.g. a more academic environment. The OECD will look at the issue in the context of the Global Forum from a different perspective; at least the end of the discussion will be different in the context of the OECD. It is quite clear that the WTO and the multilateral trading system have certain advantages that are well known. Hence the WTO may decide to discuss this issue in a rather academic and contemplative fashion.

- j. The road map on this issue, keeping in mind that the issue has not been solved today, has nonetheless been laid out. The areas in which it is necessary to invest are clearer now: we need a better integration of various aspects and actors including improved communication between economists and governments. The discussions have been the first stage to discuss trade and competition implications of primary products and the publication of the discussion will lay the foundation for further actions in this area.
- k. The agenda for future work will thus include: more empirical work to understand the specificities of the primary product markets, clearer and stronger advocacy with policy makers for better policies to deal with export cartels and export prohibitions, discussions on good and bad practices at neutral fora, and persuading both the governments and the private sector to refrain from indulging in anticompetitive behaviour. CUTS will continue to work with its partners to take this agenda forward.

8.3 Ramamurti Badrinath expressed gratitude on behalf of CUTS International and the CUTS Geneva Resource Centre to the WTO for providing the meeting facilities for the symposium, to DG Pascal Lamy for his support to CUTS and its work, to DDG Alexander Jara for opening the symposium on behalf of the DG WTO, Arancha Sanchez, Robert Anderson and Audrey Lang of the WTO for their deep involvement and support to ensure that the symposium was a success, to the different funders – particularly CEPR, AFD of France and EC - who have provided funding support to the symposium, to Frederic Jenny without whom the symposium would not have been possible as well as Simon Evenett who has been deeply involved in the substantial preparations of the symposium, to all the chairs who conducted the sessions in a very disciplined manner, to all the speakers for their clear and lucid presentations, to all the discussants for their stimulating and provoking debates and questions, and to all the participants for the active interaction that has been maintained between the podium and the audience.

8.4 On behalf of the WTO Secretariat Robert Anderson expressed his thanks to CUTS and all associates for the organisation of the symposium which had addressed a very important issue.

## **8.5 Expected Outcomes**

- a. Provide greater clarity on the functioning of primary product markets and gain more understanding of the prevailing market structure in order to address issues relating to market distortions and their impact on consumer welfare
- b. Outline the role played by competition policy as an institution and competition agencies as organisations in their respective contribution toward addressing anti-competitive practices that exist in primary product markets

- c. Formulate effective policy responses at national as well as cross-border level to address market distortions in primary product markets in harmony with the relevant WTO agreements and preferential trade agreements
- d. Build alliances through informal dialogues between and among countries and interest groups that are affected by anti-competitive practices in primary product markets

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