

WORLD TRADE ORGANIZATION

G/AG/NG/W/70
18 January 2001

(01-0283)

Committee on Agriculture
Special Session

Original: English

FOURTH SPECIAL SESSION OF THE COMMITTEE ON AGRICULTURE 15-17 NOVEMBER 2000

Statements by India

Non-Trade Concerns (G/AG/NG/W/36)

The very large number of Members who have already taken the floor on this issue and the large number of Members who are still waiting to take the floor perhaps clearly shows the importance that Members seem to attach to the issue of non-trade concerns in the context of the agricultural negotiations.

India had nearly two years ago submitted a paper in the AIE process on the non-trade concerns of developing countries. At that point in time we could not have anticipated the kind of response that we see on this issue today. We are both happy and yet somewhat concerned at the manner in which the debate on this issue has unfolded during the preceding months. We are happy because non-trade concerns, such as food security and rural development, specially in predominantly rural agrarian developing countries, are now being recognized as legitimate concerns which need to be adequately addressed during the negotiations. However, we are somewhat concerned that the difference between the non-trade concerns of the developing countries and the non-trade concerns of the developed countries is being somewhat lost in the debate. It is our view that this difference is important and needs to be suitably highlighted. While we fully respect the freedom of any Member to both raise and emphasize what in its view are its legitimate non-trade concerns, it would be inappropriate if the non-trade concerns of developing countries were to be used as an excuse to provide support in rich developed countries, in a manner that would only further distort international trade.

It is for this reason that we feel that it is important to clearly demarcate and differentiate between the non-trade concerns of developing and developed countries. We have today heard the phrase 'food security' being mentioned as an important issue by a very large number of Members. I am sure that we will continue to hear the importance of this issue in later interventions also. However, it would be wrong to assume that 'food security' has the same interpretation for all these Members. Food security as we have attempted to define would be vastly different from the concept of food security that some of the more advanced Members of this organization have. It would therefore be important to perhaps more clearly define the various non-trade concerns, which have been touched upon and enunciated today, specially from the perspective of developing countries.

In this context, let me reiterate some of the non-trade concerns that we have been highlighting during the course of this and the preparatory process of the agricultural negotiations. Food security is obviously of prime concern to India. As defined by the FAO it reflects the need to ensure access to food for the whole population.

In India's case agriculture remains the major employer and small farmers make up nearly 70 per cent of the rural farming population. In the light of this, the requirement of ensuring access to food for the population transforms itself into the requirement of ensuring food self-sufficiency. For us, given the very large rural agrarian population, food production is synonymous to food self-sufficiency and hence to food security. At the same time it is also important for India to ensure that the livelihood and employment of the rural population is not affected through import surges. At the same time while expressing our concerns and need for enhanced rural development, our intention has been to focus attention on the need to improve income levels and to alleviate poverty by helping the farmers achieve better productivity and production.

Before I conclude, let me state that India attaches great importance to the need to differentiate between the non-trade concerns of developing countries and the developed countries. At the same time India can agree with those Members who have said that trade instruments to address the non-trade concerns, do not create distortions in international trade in agriculture. India would also like to add that any measure which may be adopted by developed countries to address their non-trade concerns should not impose any further burden on developing countries or reduce the access of products from developing countries into the developed country market.

Secretariat Paper G/AG/NG/S /6

We have carefully studied the WTO Secretariat Paper titled 'Agricultural Trade Performance by Developing Countries: 1990-98' (G/AG/NG/S/6). The paper provides information on developing countries' exports of agricultural products, mining products and manufactures, and related world market shares for the period 1990-98. It analyzes the regional pattern of agricultural exports from Africa, developing Asia, Latin America and the Caribbean, and the Middle East including information on intra-developing country trade. This paper also looks at the performance of the least-developed countries in agricultural trade.

This issue covered in the paper had come up for discussion in the previous Special Session when one delegation had questioned the findings of an UNCTAD study and we had commended that even WTO studies confirm some of the findings of many UNCTAD and FAO studies in regard to trade performance of developing countries in the post WTO period.

We have the following observations to make on this paper:

1. Box 1 of the paper which gives Data Sources and Definitions mentions that "it should be noted that the WTO Statistics Division's definition of agricultural products differs from the product coverage of the Agreement on Agriculture defined in Annex 1 thereto".

For studying the impact of the Uruguay Round Agreement on Agriculture it would have been better to use only the products covered under the Agreement on Agriculture.

2. Though the "Highlights" section of the Secretariat paper has pointed out mostly the positive effects of the liberalization of agricultural trade, the supporting tables of Section 1 of the paper shed a somewhat different light.

For example:

- (a) Table 1.1 shows that after a substantial increase in 1995, the growth rate of the value of agricultural exports has stagnated.

The table shows that 1995 has recorded an unusually high level of exports growth. It is possible that this sudden increase in the value of agricultural exports in 1995, the first year of the implementation of Agreement on Agriculture, is due to the removal of the non-tariff barriers by WTO member countries. However, it is also possible that this increase is actually due to a sudden rise in agricultural prices. It can be seen from the chart in Annex 5 of the paper that during 1994-95, there has been a steep increase in the prices of agricultural commodities. If the figures shown in Table 1.1 are deflated by an appropriate price index, then a more accurate picture can be obtained. A similar analysis with the quantity or volume of agricultural exports can also be undertaken to eliminate the effect of the price component.

- (b) Table 1.2 shows that the average annual growth of the value of agricultural exports of Developing Asia has declined from 8.2 per cent during 1990-94 to 3.6 per cent during 1994-97. It has further declined to 0.5 for the period 1994-98.
- (c) Table 1.2 also shows that after 1995, for three consecutive years, countries from Developing Asia are experiencing negative growth rates in their agricultural exports.
- (d) Table 1.3 shows that the share of developing countries in world agricultural exports has increased only by 0.5 per cent during 1995-98. The share of Developing Asia has declined from 20 per cent (in 1994, 1995) to 18 per cent in 1998 (18.5 per cent in 1997).
- (e) Calculations based on Table 11.1 shows that the rate of growth of exports of agricultural commodities from Developing Asia has declined in the post Uruguay Round era (1994-98) to all the destinations except the Transition economies as compared to the period 1990-94. The rate of growth of exports to transition economies was negative for the period 1990-94, it has shown a positive rate of growth during 1994-98. The rate of growth of exports of Western Europe has declined marginally in 1994-98 as compared to 1990-94.
- (f) Table 11.4 shows that for each category (Total Agricultural Products, Food and Agricultural Raw Materials) the average annual growth rate of developed countries' imports has slowed down in 1994-98 period as compared to 1990-94. The same is true for imports (of developed countries) of these commodities from developing countries also.
- (g) Table 11.4 shows that after 1995, there has been a steady decline in the agricultural exports of twelve Asian developing countries. Four of the seven commodity groups (Fruit and vegetables, Meat, Rubber, Natural fibers) mentioned in the table has shown declining trend in agricultural exports for the period 1995-98. The category 'other agricultural products', which accounts for 47-48 per cent of total agricultural exports of these countries have shown a decline of 15.8 per cent decline for the period 1995-98 (this is calculated on a point-to-point basis, not on an annual average basis). As also it is evident from the growth rates presented in Table 11.6, for all the products the rate of growth of exports by the twelve Asian Developing Countries has declined in 1994-98 as compared to 1990-94.

Based on the above analysis we would like to suggest the following possible areas of future research:-

1. Most of the projection results after the Uruguay Round have predicted substantial gains from the liberalization of agricultural trade to the developing countries. However, in reality, only moderate gains have been achieved by the developing countries. A study is required to find out why the promised gains did not materialize for the developing countries.
2. International non-oil commodity prices have been declining steadily over the last few years. This is hurting the agricultural exporters from the developing countries. It was expected that

after the Uruguay Round there would be a reversal of this declining trend. This has not happened. A study should look at the reasons for the decline in world prices in a commodity-specific manner.

3. The volatility of international commodity prices sometimes can distort the value of agricultural exports, which can lead to misleading conclusions. A similar study, like the paper G/AG/NG/S/6, using volumes of agricultural exports can be undertaken to supplement this study.
4. There is a growing feeling among the developing countries that although some trade barriers like NTMs and tariffs have reduced, the SPS measures are working as effective barriers towards the growth of exports of agricultural commodities from these countries. A study needs to look into this matter.
5. As the developing countries move along the product chain towards the exports of value added products, they face the problem of tariff escalation. This issue needs to be addressed. It is also necessary to know what kind of technical assistance will be available to the developing countries for scaling up of products along the value chain.
6. It has been suggested by other members of the WTO to have an analysis on the proportion and structure of agricultural trade under the various preferential trade agreements.
7. The statement from Brazil in June 2000 session had suggested that the Secretariat update the paper (G/AG/NG/S/6) so as to include analysis of the performance of raw products against value added exports of developing countries. The statement had also pointed out that a study should analyze the pattern of trade in products, which receive export subsidies in the developed countries.

We also share the concerns expressed by Hungary on paper S/19 on inflation and exchange rate movements in the context of domestic commitments. The erosive and adverse impact of these economic processes on developing countries' domestic support programmes needs to be addressed during the review process. The points raised by Hungary could be gone into in a revised version of the paper.
