Centre for WTO Studies

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WTO Negotiations in Agriculture and NAMA

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WORKSHOP ON WTO AGREEMNT AHMEDABAD

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AGRICULTURE

- The original GATT did apply to agricultural trade, but it contained loopholes. For example, it allowed countries to use some non-tariff measures such as import quotas, and to subsidize.
- Agricultural trade became highly distorted, especially with the use of export subsidies which would not normally have been allowed for industrial products.
- The Uruguay Round produced the first multilateral agreement dedicated to the sector.
- Uruguay Round did not bring about trade liberalisation in agriculture to the desired extent.
- No significant reduction in domestic support and export subsidies done by developed countries.
- Non-tariff barriers were raised with stricter and new SPS and TBT measures.
- Anticipated increase in exports of agriculture products from developing countries was not realised.
- Developed countries started shifting their Blue Box measures to Green Box and also restructured their policies/programmes to comply with their reduction commitments without making any effective reductions.

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AGRICULTURE - THE DOHA MANDATE (November 2001)

13. We recognize the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 members. We recall the long-term objective referred to in the Agreement to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. We reconfirm our commitment to this programme. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. We 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. We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.
14. Modalities for the further commitments, including provisions for special and differential treatment, shall be established no later than 31 March 2003. Participants shall submit their comprehensive draft Schedules based on these modalities no later than the date of the Fifth Session of the Ministerial Conference. The negotiations, including with respect to rules and disciplines and related legal texts, shall be concluded as part and at the date of conclusion of the negotiating agenda as a whole.

CONTENT OF AGRICULTURE NEGOTIATIONS

- **Three basic pillars:**
  - **market access: substantial reductions**
  - **export competition: reductions of, with a view to phasing out, all forms of these (in the 1 August 2004 “framework” members agreed to eliminate export subsidies by a date to be negotiated)**
  - **domestic support: substantial reductions for supports that distort trade (in the 1 August 2004 “framework”), developed countries pledged to slash trade-distorting domestic subsidies by 20% from the first day any Doha Agenda agreement is implemented.**

Tariff Cuts - Proposals

- Separate tariff bands for developed & developing countries - as proposed by G-20
- Overall 2/3rds proportionality in cuts by developed & developing countries
  - 54% minimum average cut by developed countries
  - 36% maximum average cut by developing countries
- Cuts in equal annual installments – over 5 years for developed; 8 years for developing countries

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Tariff Cuts - Agreed

Band-wise cuts by Developed Countries	
Band (Bound rates in %)	**Proposed Cut (%) (over 5 years)**
0-20	50
20-50	57
50-75	64
75+	70

minimum: 54%

Band-wise cuts by Developing Countries (2/3rds of developed country cuts in each band)	
Band (Bound rates in %)	**Proposed Cut (%) (over 10 years)**
0-30	33.33
30-80	38.00
80 -130	42.67
130+	46.67

maximum: 36%

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INDIA'S AGRICULTURAL TARIFF PROFILE

Bands as in Draft Modalities (Bound rates in %)	Number of Tariff Lines	% of total agriculture tariff lines
0-30	26	4
30-80	101	14
80-130	339	47
130+	249	35
TOTAL	715	100

- **Average Bound Tariff = 114%**
- **Average Applied Tariff = 37%**
- **2/3rds band-wise proportionality implies average tariff cuts of 41-44% for India**
- **However, the 36% cap provides a cushion**

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Special Products (SP)

- **Criteria: Food Security, Livelihood Security and Rural Development needs**
- **Core Elements: Self-designation of "an appropriate number".**
- **May 2008 proposal: Maximum of 20% & minimum of 8% as SP; no cuts on 0-40% of total number of SPs; on balance 60% overall cut of 15% with minimum 12% and maximum 20% cuts.**
- **July 2008:**
  - **Developed countries – [(4) – (6)]% of total agriculture TLs.**
  - **Developing countries – 10-18%. Upto 6% of/no lines may have no cuts. Overall cut , in any case be 10-14%.**

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SP Contd.

- Proposal in December 2008 text:
  - 12% of total tariff lines as SPs
  - Average tariff cut of 11%
  - 5% of total tariff lines to take zero cuts
    - 18-19% overall cut on non-zero cut SPs
- G-33 has asked for higher entitlement (15%) & lower average cut (9%)

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Special Safeguard Mechanism (SSM)

- Features
  - Available to developing countries only
  - Protection against import surges (leading to price dips) for poor & vulnerable farmers of developing countries
  - Provision to apply additional duties when volume/ price of imports exceeds/falls below a threshold level
- Requirements
  - Ease of use & effectiveness
  - Volume & price trigger thresholds
  - Duration

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SSM Contd.

- **Contentious issue at July 2008 mini-Ministerial**
- **US (& Australia) sought very high volume trigger for breaching UR bound levels (140%); not acceptable to G-33+ (over a 100 developing countries)**
- **No solution found in subsequent discussions; SSM text unchanged; separate paper by Chair on breaching UR issue.**

SSM Contd.

- **Key unresolved issues**
  - Parameters of price & volume triggers
  - Duration
  - Breaching of Uruguay Round bindings
- G-33 concerns remain on price SSM & volume (both above & below UR bound situations)
- US insistent on time limit on SSM, ‘on and off’ period etc.

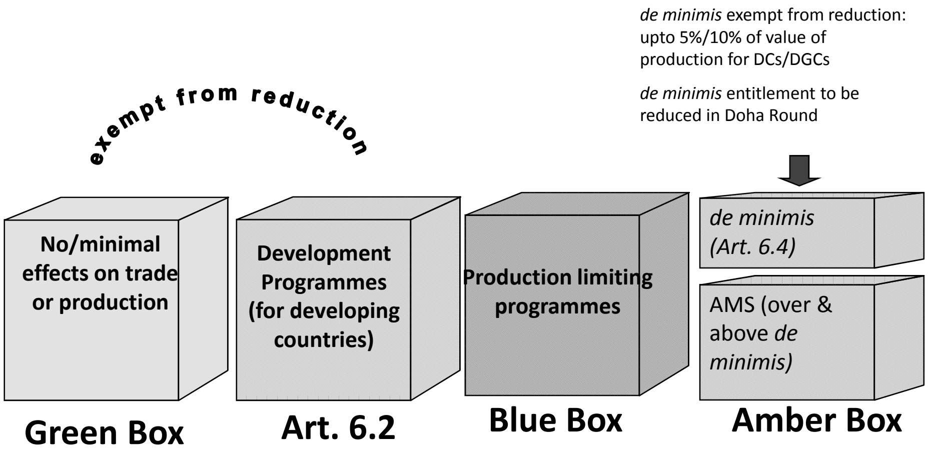
Sensitive Products (SEPs)

- Primarily an EC, Japan, Canada issue
- A flexibility to take lower cuts; compensated by access through quotas/full cuts over longer periods
- Available to both - developed & developing

SEPs Contd.

- Proposals in 6 December 2008 text:
  - Developed countries: 4% of tariff lines
  - Those with more than 30% of their tariff lines in the top tariff band: 6% of tariff lines
  - Developing countries : 5.3% or 8% (1/3rd more)
- Exporters – US, Australia, Brazil etc. want lower number/greater compensation
- G-20 opposed to TRQ creation
- EC concerns: immediate scheduling implies SEP list revealed

Total Domestic Support: the "Boxes"



Main users of domestic support – DCs; developing countries have budget constraints

Source: adapted from WTO presentation

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Boxes explained : Amber Box

- **All domestic support measures considered to distort production and trade (with some exceptions). These include measures to support prices, or subsidies directly related to production quantities.**
- **These supports are subject to limits: "de minimis" minimal supports are allowed (5% of agricultural production for developed countries, 10% for developing countries).**
- **The reduction commitments are expressed in terms of a "Total Aggregate Measurement of Support" (Total AMS) which includes all supports for specified products together with supports that are not for specific products, in one single figure.**
- **In the current negotiations, various proposals deal with how much further these subsidies should be reduced, and whether limits should be set for specific products rather than continuing with the single overall "aggregate" limits.**

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BLUE BOX

- Amber box with conditions — conditions designed to reduce distortion.
- Any support that would normally be in the amber box, is placed in the blue box if the support also requires farmers to limit production (details set out in Paragraph 5 of Article 6 of the Agriculture Agreement).
- At present there are no limits on spending on blue box subsidies.
- In the current negotiations, some countries want to keep the blue box as it is because they see it as a crucial means of moving away from distorting amber box subsidies without causing too much hardship. Others wanted to set limits or reduction commitments, some advocating moving these supports into the amber box.

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GREEN BOX

- By definition the green box subsidies must not distort trade, or at most cause minimal distortion . They have to be government-funded (not by charging consumers higher prices) and must not involve price support.
- Programmes that are not targeted at particular products, and include direct income supports for farmers that are not related to (are "decoupled" from) current production levels or prices. They also include environmental protection and regional development programmes. "Green box" subsidies are therefore allowed without limits, provided they comply with the policy-specific criteria set out in Annex 2.
- In the current negotiations, some countries argue that some of the subsidies listed in Annex 2 might not meet the criteria of the annex's first paragraph — because of the large amounts paid, or because of the nature of these subsidies, the trade distortion they cause might be more than minimal.
- Among the subsidies under discussion here are: direct payments to producers (paragraph 5), including decoupled income support (paragraph 6), and government financial support for income insurance and income safety-net programmes (paragraph 7), and other paragraphs. Some other countries take the opposite view — that the current criteria are adequate, and might even need to be made more flexible to take better account of non-trade concerns such as environmental protection and animal welfare.

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Domestic Support - Proposals

- **Main proposals**
  - **Substantial reductions in trade-distorting domestic support (overall & Amber Box)**
  - **Product-specific AMS caps**
  - **Cap & new disciplines on Blue Box**
  - **Reductions in *de minimis***
  - **Review &clarification of Green Box criteria**
- **Flexibilities for developing country Members**
  - **Lower reductions; longer implementation periods**
  - **Continuation of Article 6.2**
  - **Specific exemptions from reductions**

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Domestic Support Proposals Contd.

- **Overall Trade-distorting Domestic Support (OTDS)**
  - 70% cut by US - from $48.2bn to $14.5bn – well above their actual levels (estimated $ 7 billion)
  - 80% cut by EU – from €110 bn to €22 bn (2004: applied OTDS = €57.8 billion)
- **Amber Box/Blue Box**
  - Amber Box support also to be cut
  - Capping of Amber Box product-specific support; **special dispensation wanted by US regarding base period**
  - Proposed product-specific AMS cap for the US - 30% higher than the scheduled limits
  - **US wants higher Blue Box limits and another alternative**

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Domestic Support – Main Parties/Concerns

- **Main users/defensive interests: US, EC, Japan, Norway**
- **Offensive interests: G-20, Cairns Group**
  - **G-20 opposed to special dispensations for developed countries**
  - **Disciplines required on Green Box - no disciplines proposed currently**
  - **Cotton subsidy mandate must be fulfilled**

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Export Competition

- **Mandate: reduce & phase out, all forms of export subsidies**
- **Developed countries by end-2013 (halved by end-2010; eliminate by end-2013)**
- **Developing countries by end-2016**
- **Developing countries to continue to have the right to some export subsidies till end-2021**
- **Detailed disciplines prescribed for Export Credits, Food Aid & State Trading Enterprises**
- **One area with almost full agreement**

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NAMA

DOHA MANDATE

- **Para 16 of the Doha Ministerial Declaration (DMD):**
  - **reduce or eliminate tariffs (including tariff peaks, high tariffs, and tariff escalation) as well as non-tariff barriers**
  - **negotiations shall take fully into account the <u>special needs and interests</u> of developing and least-developed country participants, including through <u>less than full reciprocity (LTFR)</u> in reduction commitments**

MAIN ELEMENTS IN NAMA

1. FORMULA
2. TREATMENT OF UNBOUND LINES
3. FLEXIBILITIES
4. SECTORALS
5. OTHER ISSUES

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Swiss Formula

$$T_f = (A \times T_b) / (A + T_b)$$

T_f : Final Bound Tariff, A: Swiss coefficient ,T_b: Current Bound Tariff/ Base Rate

- Features of the Swiss formula:
  - All tariffs after formula cut < than 'A'
  - Higher the tariff :larger the percentage cut
  - Tariff higher than A: more than 50% cut

- 6 December 2008 draft modalities
  - Developed country coefficient - 8
  - Developing country coefficient – 3 tiered, linked to flexibilities (20,22 & 25)

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TREATMENT OF UNBOUND

- **HONGKONG MINISTERIAL**
  - Adopt a non-linear mark-up approach to establish base rates for commencing tariff reductions
- **Proposals**
  - Fair mark up (NAMA 11)
  - 5% markup (Canada, Hongkong, New Zealand, Norway)
  - 30% markup (Pakistan)
- **July 2008 modality (para 6 b – agreed)**
  - 25% markup on the applied rate
  - Base year – Applied MFN tariffs on 14th November 2001

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Flexibilities-contd.

- **Available for developing countries to protect their sensitive tariff lines from formula cuts or bindings**
- **December 2008 text**

Coefficient	Flexibilities
20	**Atleast half the formula cuts on 14% tariff lines s.t. Imports not exceeding16% of value or No cuts or binding on 6.5% tariff lines s.t. imports not exceeding 7.5% of value**
22	**Atleast half the formula cuts on 10% tariff lines s.t. imports not exceeding 10% of value or No cuts or binding on 5% tariff lines s.t. imports not exceeding 5% of value**
25	**No flexibilities**

- South Africa, Argentina and a few countries want more flexibilities

- **Flexibilities are subject to an Anti-Concentration Clause (ACC)**
- **Criteria & possible flexibilities for India**

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Anti Concentration Clause (ACC)

- A clause to ensure that developing countries do not concentrate their flexibilities under specific sectors (i.e. Chapters of the HS Classification) – EC's proposal
- Chairman's revised draft modalities (10 July, 2008)
  - Full formula cuts are taken on a minimum of either
    - *[ ] percent of national tariff lines or
    - **[ ] percent of the value of imports of the Member in each HS Chapter
- Some of the sectors likely to be affected by ACC
  - Marine products
  - Silk
  - Automobiles
  - Aircraft

** 20% introduced in DG's & new text*
*** 9% introduced in DG's & new text*

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SECTORALS

- **Current Proposals (13 Sectors):**
  - Autos & related parts, Bicycles & related parts
  - Chemicals, Electronics/ electrical
  - Fish & fish products, Forest products
  - Gems & Jewellery, Hand Tools
  - Health Care, Raw Materials, Sports Equipment
  - Textiles & Clothing,
- **Sectoral initiatives – disadvantages:**
  - Create an inverted duty structure
  - Affect vulnerable industries
  - Distort the tiered tariff structure
  - Have revenue implications
  - Entail larger reductions by developing countries than developed countries

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NTB Proposals

- Export related proposals:
  - Export taxes
  - Export restrictions
- Horizontal Mechanism for informal resolution of NTBs
- Labelling in textiles, clothing, footwear and travel goods
- Trade in remanufactured goods
- Harmonisation of standards & conformity assessment in:
  - Electrical and Electronics
  - Fireworks and Lighters
  - Forestry products
  - Chemicals
  - Automobiles

Procedures for Facilitation of Solutions to NTBs

- Fast track dispute resolution
- Informal low key & less adversial
- Expert facilitator (Chair, Vice Chair or Friend of Chair)
- Mandatory at request/ response stage
- Voluntary at resolution stage
- Within the existing WTO Committees
- Confidentiality & no third parties
- Independent of rights under DSU
- Flexible procedures
- Timelines for resolution

Industry's Preparedness

- Industry's preparedness to compete after the tariff reduction is essential – longer time frame available & autonomous liberalisation benefits will be reaped.
- Identify items of export interest – SP, SEP, Flexibility – for removal from other countries list.
- Sectorals
- Anti Concentration
- NTBs

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THANK YOU

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