



WTO Negotiations in Agriculture

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AoA

- AoA came into force on 1st January 1995.
- Before the establishment of WTO , agriculture trade was extremely restrictive and protected.
- Quantitative restrictions, Domestic support and export subsidies etc.
- Aim: agricultural trade fairer and more market oriented.
- Theory of comparative advantage and Level playing field
- AoA is essential for ensuring level playing field so that considerations of comparative advantage can have a free and fair play.

FAIR TRADE

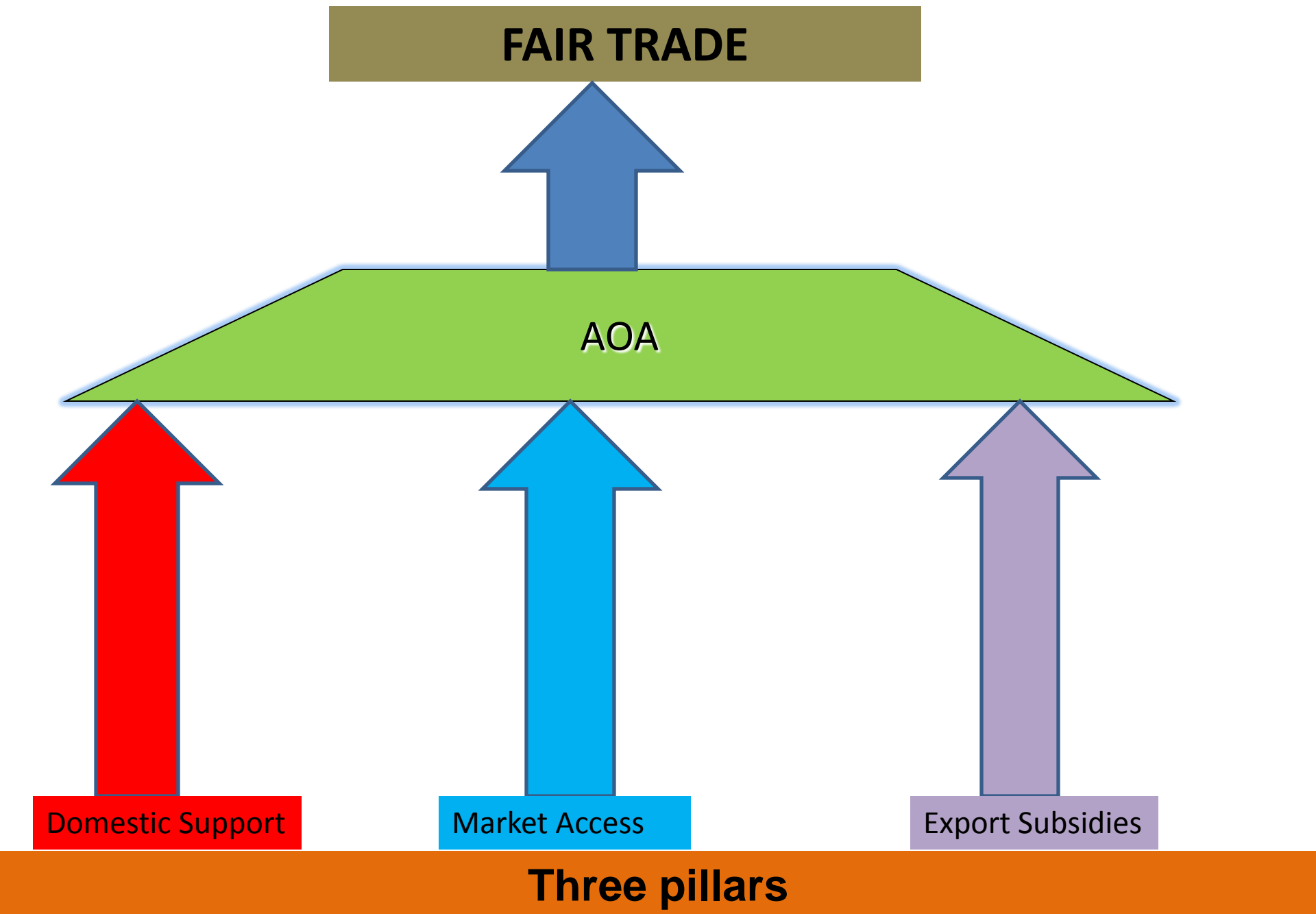
AOA

Domestic Support

Market Access

Export Subsidies

Three pillars



PRODUCT COVERAGE

Defined in [Article 2 and Annex 1 of the AoA](#). This definition of agricultural products is based on the 1992 Harmonised System (HS92), as established and regulated under the World Customs Organization.

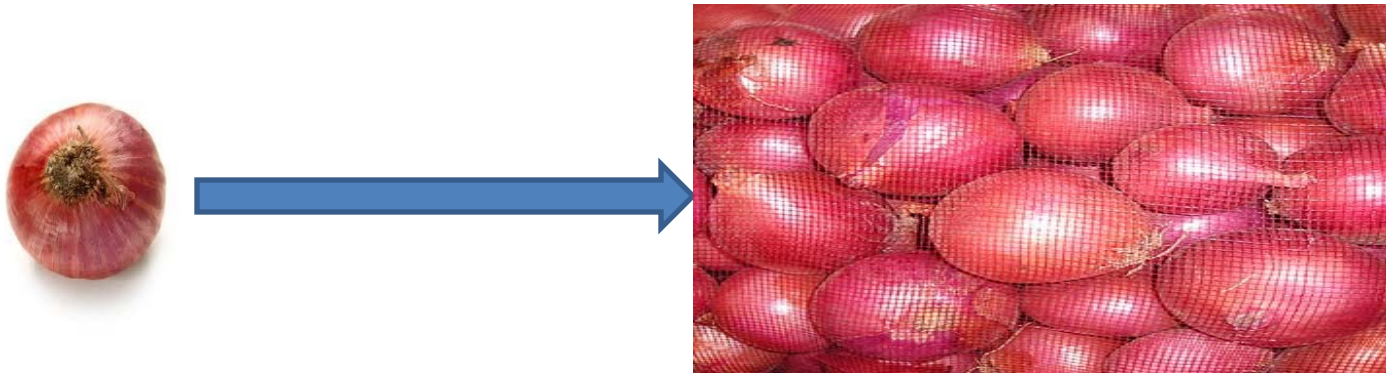
Annex 1 defines agricultural products as those within **Chapters 1 to 24** of the Harmonized System (excluding fish and fish products). Hence, the definition does not apply **to fish, fish products, and forestry products**. It covers all agricultural food and beverage products, agricultural fibres and skins including, for example:

- **Basic agricultural products such as wheat, milk and live animals, as well as products derived there from, such as, bread, butter and meat;**
- **processed agricultural products, for example, chocolate and sausages;**
- **trade in wines, spirits, and tobacco products;**
- **fibres, such as, cotton, wool and silk; and**
- **raw animal skins destined for leather production.**

Domestic Support (DS): classification

Non-trade distorting or minimally distorting subsidies v. trade distorting subsidies

Base criteria: if as result of the subsidy



subsidy = **trade distorting**

Stimulates production

Green Box

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graph TD; A[Green Box] --> B[Basic Criteria]; B --> C[No, or at most minimal, trade-distorting effects or effects on production]; B --> D[Assistance: Provided through publicly funded government programme, Not involving transfers from consumers, Not resulting in price support to producers];
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Basic Criteria

No, or at most minimal, trade-distorting effects or effects on production

Assistance:

Provided through publicly funded government programme

Not involving transfers from consumers

Not resulting in price support to producers

Example: general services (such as research, pest and disease control, training, extension/advisory services, marketing and promotion, infrastructural services), and direct payments (such as decoupled income support, income insurance and income safety-net, relief from natural disasters, structural adjustment assistance, environmental and regional assistance programmes).

Blue Box

Article 6.5 of AoA

Direct payments under production-limiting programmes exempt from reduction if:

based on fixed area and yields; or
made on $\leq 85\%$ of base level of
production; or
livestock payments are made on a fixed
number of head

AMBER BOX

In any year of the implementation period and thereafter, a product-specific AMS is to be calculated for each basic agricultural product receiving non-exempt domestic support. Also, non-product-specific subsidies are to be listed and totalled into one non-product-specific AMS.

The following types of support are to be included in the AMS calculation:

- 1. Market price support** is calculated on the basis of the gap between a fixed external reference price and the applied administered price multiplied by the quantity of production eligible to receive the applied administered price;
- 2. Non-exempt direct payments**, which depend on a price gap are calculated by using either the gap between a fixed external reference price and the applied administered price multiplied by the quantity of production eligible to receive the administered price, or by using budgetary outlays; and, non-exempt direct payments based on factors others than price are calculated using budgetary outlays;
- 3. Other subsidies not exempted from reduction commitments** (for example, input subsidies or interest rate subsidies) are calculated using budgetary outlays or the gap between the price of the subsidized good or service and a representative market price for a similar good or service multiplied by the quantity of the good or service.

The Current Total AMS value of non-exempt measures provided in any given year must not exceed the scheduled Total AMS limit as specified in a Member's Schedule for that year.

Uruguay Round Reduction Commitments

	Developed	Developing
Time period	6 years	10 years
Total AMS reduction*	20%	13.3%
<i>De minimis</i> limits	5%	10%
S&D exemption		Article 6.2 (investment, input and diversification subsidies)

***AMS: Aggregate Measurement of Support**

***No reduction commitments for least-developed countries**

Export Subsidies

- Reduction of all export subsidies over the base period – 1986-90
 - 36 per cent by value over six years from the beginning of the implementation period, 1995 (24 per cent for developing countries)
 - 21 per cent by volume over six years from the beginning of the implementation period, 1995 (14 per cent for developing countries)

India's UR Commitments

Export Competition

- No export subsidy reduction commitments
- Could continue to use some subsidies (to reduce cost of marketing, internal transport & freight charges)

Market Access - Basic Principles

Tariffs to be bound & reduced

- A commitment not to raise applied tariffs of National Customs above bound levels

Protect domestic industry by Tariffs only

- No prohibition or restriction other than duties, taxes or other charges (safeguards, emergency actions permitted in limited circumstances)

Market Access: Uruguay Round Reduction Commitments

	DEVELOPED	DEVELOPING
Implementation period	6 years 1995-2000	10 years 1995-2004
Average cut	36%	24%
Minimum cut	15%	10%

No reduction commitments for LDCs

Bound & Applied Tariffs

	<i>Simple Average Bound Tariff %</i>	<i>Simple Average Applied Tariff %</i>	<i>Year for Average Applied Tariff</i>
Australia	3.2	1.1	2003
China	15.8	19.2	2002
India	114.5	36.9	2002
Indonesia	47.0	8.2	2002
Kenya	100.0	20.1	2001
Pakistan	97.1	20.4	2003
Philippines	34.6	8.0	2003
South Africa	39.8	9.1	2002
Uruguay	33.9	11.6	2002
Zambia	123.3	18.8	2003
Source: WTO			

Bound & Applied – some examples

HS Code	Description	Bound rate	Applied rate (2009-10)
0713	Pulses	100	0
100110	Wheat (other)	100	0
100630	Rice	70	0
520100	Cotton	100	0
070190	Potatoes	100	30
080610	Grapes	40	30
080510	Oranges	40	30
120100	Soya Beans	100	30
080810	Apples	50	50

The reductions in agricultural subsidies and protection agreed in the Uruguay Round

	<i>Developed countries 6 years: 1995–2000</i>	<i>Developing countries 10 years: 1995–2004</i>
Tariffs		
average cut for all agricultural products	–36%	–24%
minimum cut per product	–15%	–10%
Domestic support		
cuts in total ("AMS") support for the sector	–20%	–13%
Exports		
value of subsidies (outlays)	–36%	–24%
subsidized quantities	–21%	–14%

INDIA CASE

- Expectation
- Obligation
- Experience

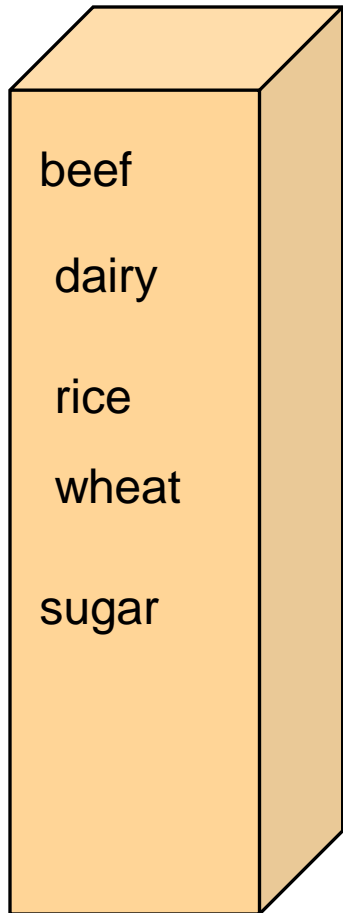
Composition of Domestic Support in India (Million US\$)

Year Box	1995	1996	1997
AMS	<i>de minimis</i>	<i>de minimis</i>	<i>de minimis</i>
Blue box	0	0	0
Green Box	2196	2503	2873

Source: WTO Notification

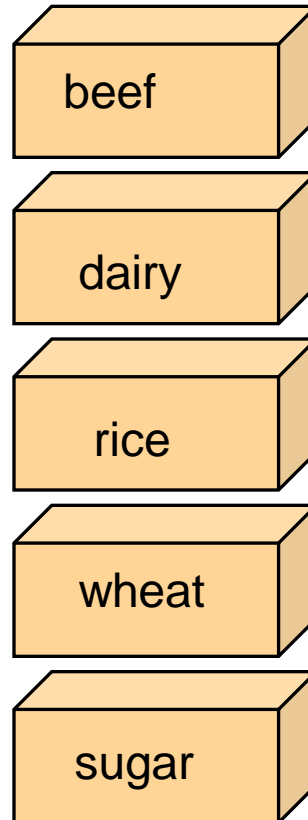
Product-Specific AMS Limits

Current situation:
Aggregate AMS



Current
aggregate
limit

New product-specific
AMS limits



Beef
limit

Rice limit

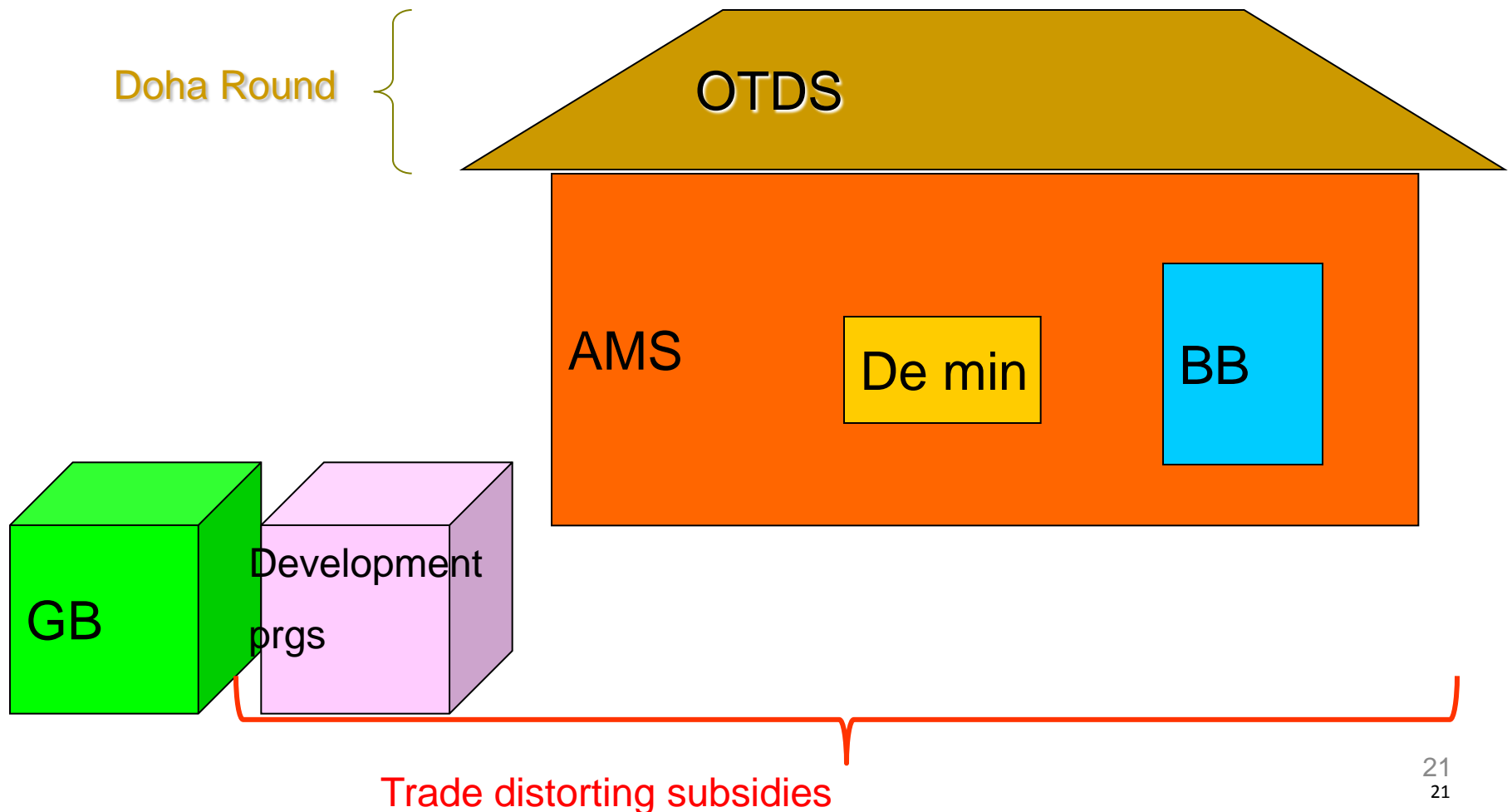
AMS
limit

AGRICULTURE - THE DOHA MANDATE (November 2001)

- The long-term objective referred to in the Agreement to establish a fair and market-oriented trading system
- 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.
- Special and differential treatment for developing countries
- Modalities for the further commitments, including provisions for special and differential treatment, shall be established no later than 31 March 2003.

House of Subsidies

Concepts



New Constraint – Overall Trade-distorting domestic support (OTDS)

Final Bound Total AMS

Base data

S&D

+

10% [20%] of average value of production in the 1995-2000 [or 1995-2004]

Base data

+

The higher of:
average Blue Box payments as notified to the Committee on Agriculture,
or 5% of the average total value production, in 1995-2000 [or 1995-2004] period

Base data

=

Base level

Reductions in OTDS

➤ **General rule** - tiered reduction formula

Tier	Threshold (US\$ billion)	Cuts
1	> 60 (EC)	80%
2	10-60 (US and Japan)	70%
3	< 10 (all other DDC)	55%

Minimum overall commitment

- DdCs with high relative levels of OTDS in the second tier (\geq 40% of VoP) to undertake additional 5% effort (Japan)

Reductions in OTDS

Special & Differential Treatment

- DgC reduction
 - 2/3^{rds} of DdC cuts in the third tier (37%)

BUT

- DgC exempt from OTDS reductions if:
 - don't have Final Bound Total AMS;

Reductions in Final Bound AMS

Base data

➤ General rule - tiered reduction formula

Tier	Threshold (US\$ billion)	Cuts
1	> 40 (EC)	70%
2	15 - 40 (US and Japan)	60%
3	< 15 (all other DDC)	45%

- DdCs with high relative levels of AMS ($\geq 40\%$ of VOP) to undertake additional effort
 - (Japan, Iceland, Norway, Switzerland)

Reductions in Final Bound AMS

Special & Differential Treatment


- DgC - 2/3^{rds} of DDC cuts in the third tier

BUT

- DgC exempt from AMS reductions:
 - If AMS \leq US\$100 million
 - NFIDCs (as listed in G/AG/5/Rev.8);

Product-Specific AMS Limits

Calculation

- **General rule:**
 - based on past payments during 1995-2000
 - exceptions: last 2 years / de minimis (§ 24-25)
 - **Special and Differential Treatment (§ 27):**
 - the average product-specific AMS during 1995-2000 or 1995-2004; or
 - two times the Member's product-specific *de minimis* level during the base period chosen; or
 - 20% of the Annual Bound Total AMS in the relevant year during the Doha Round implementation period
- 
- The slide features three red arrows pointing to the text 'Base data' and a red question mark. The first arrow points to the text '1995-2000' in the first bullet point. The second arrow points to the text '1995-2000' in the second bullet point. The third arrow points to the text 'base period' in the second bullet point. A red question mark is located at the end of the second bullet point.

De minimis

General rule

- Reduce by at least 50% but more if necessary to meet OTDS

Special and Differential Treatment

- Reduce by at least 2/3rds of DdC
- RAMs with *de minimis* of 5 percent reduce by at least 1/3rd DdC reduction
- Longer implementation period

Exempt from reductions

- (i) DgC with no Final Bound Total AMS;
- (ii) DgC with AMS but which allocate almost all that support to subsistence and resource poor producers;
- (iii) NFIDCs as list in G/AG/5/Rev.8;
- (iv) Very recently acceded Members;
- (v) Small low-income RAMs with economies in transition

Blue Box

General rule:



Overall cap

- 2.5% of average total value of agricultural production, during 1995-2000
 - but if Blue Box more than 40% of trade-distorting support, reduce by level of AMS cut



Product-specific limits

- based on past payments



Blue Box Special and Differential Treatment

- **Overall cap** on Blue Box
 - 5% of the average total value of agricultural production, during 1995-2000 or 1995-2004
- **Product-specific limits**
 - based on [past payments] or overall Blue Box limit (§50)
 - exception: § 49

Base data

Base data

Summary: Domestic Support

- **Overall Trade-Distorting Support (OTDS)** - new constraint
- **Amber Box:** cuts and product-specific limits
- **De minimis:** cuts, but not always...
- **Blue Box:** overall limit and product specific limits
- **Green Box:**
 - More development friendly
 - Make sure that Green Box measures are really green

Tariff Cuts - Proposals

- **Separate tariff bands for developed & developing countries - as proposed by G-20**
- **Overall 2/3^{rds} 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**

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 (2/3^{rds} 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%

Special Products

- **Criteria: Food Security, Livelihood Security and Rural Development needs**
- **Core Elements: Self-designation of “an appropriate number”.**
- **Proposal in December 2008 text:**
 - **12% of total tariff lines as SPs**
 - **5% of total tariff lines to take zero cuts**
 - **Average tariff cut of 11% (18-19% overall cut on non-zero cut SPs)**
- **G-33 has asked for higher entitlement (15%) & lower average cut (9%)**

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

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**

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**

THANK YOU