Agreement on Agriculture and WTO Negotiations

Structure of presentation

Part I

- What are the agriculture negotiations all about?

Part II

- What has so far happened in the Doha Round?

PART I

Agriculture – A Key Area

- Share in world merchandise exports: less than 10%
- Food products: about 80% of agricultural goods traded internationally
- Remains a major contributor to national income & employment in many countries
- High political sensitivity
- Pre-WTO: 1955 waiver from GATT rules for USA, proliferation of export subsidies, import restrictions, non-tariff border restrictions
- New rules established in the Uruguay Round

The Uruguay Round
(1986-1994)

Agreement on Agriculture

- Agreement on Agriculture (1.1.95) – outcome of Uruguay Round (1986-94)
  - Defines “agricultural products” in Annex I of AoA - basic agricultural products + products derived from them + processed agricultural products
    - also includes wines, spirits, tobacco products, fibres, raw animal skins
    - Excludes fish & fish products, forestry products (NAMA)
- Commitments contained in Members’ Schedules

Agreement on Agriculture Contd.

- AOA established rules in 3 main areas
  - **Market Access** – tariffs only, ceilings (bound rates)
  - **Domestic Support** – disciplining & reduction of trade-distorting subsidies & other support programmes
  - **Export Competition** – to be reduced

Market Access
(Tariffs/Customs Duties)

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

	Simple Average Bound Tariff %	*Simple Average Applied Tariff %*	*Year for Average Applied Tariff*
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			

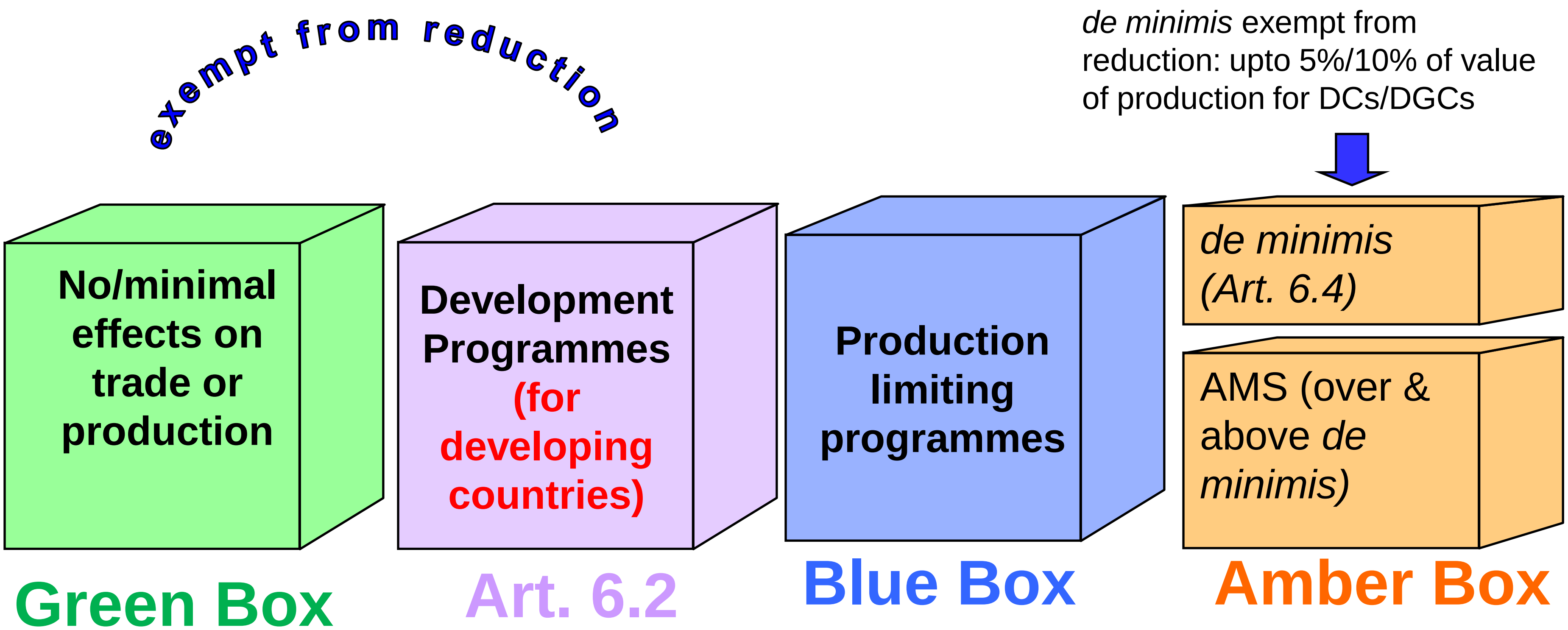
Domestic Support

(Subsidies etc.)

Domestic Support: in the Uruguay Round

- Fundamental change in treatment of domestic support
- Establishment of disciplines coupled with reduction commitments
  - **distorting; and**
  - **non-distorting**
- exempt vs. non-exempt support
- Change in design of agricultural policies

Total Domestic Support: the “Boxes”



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

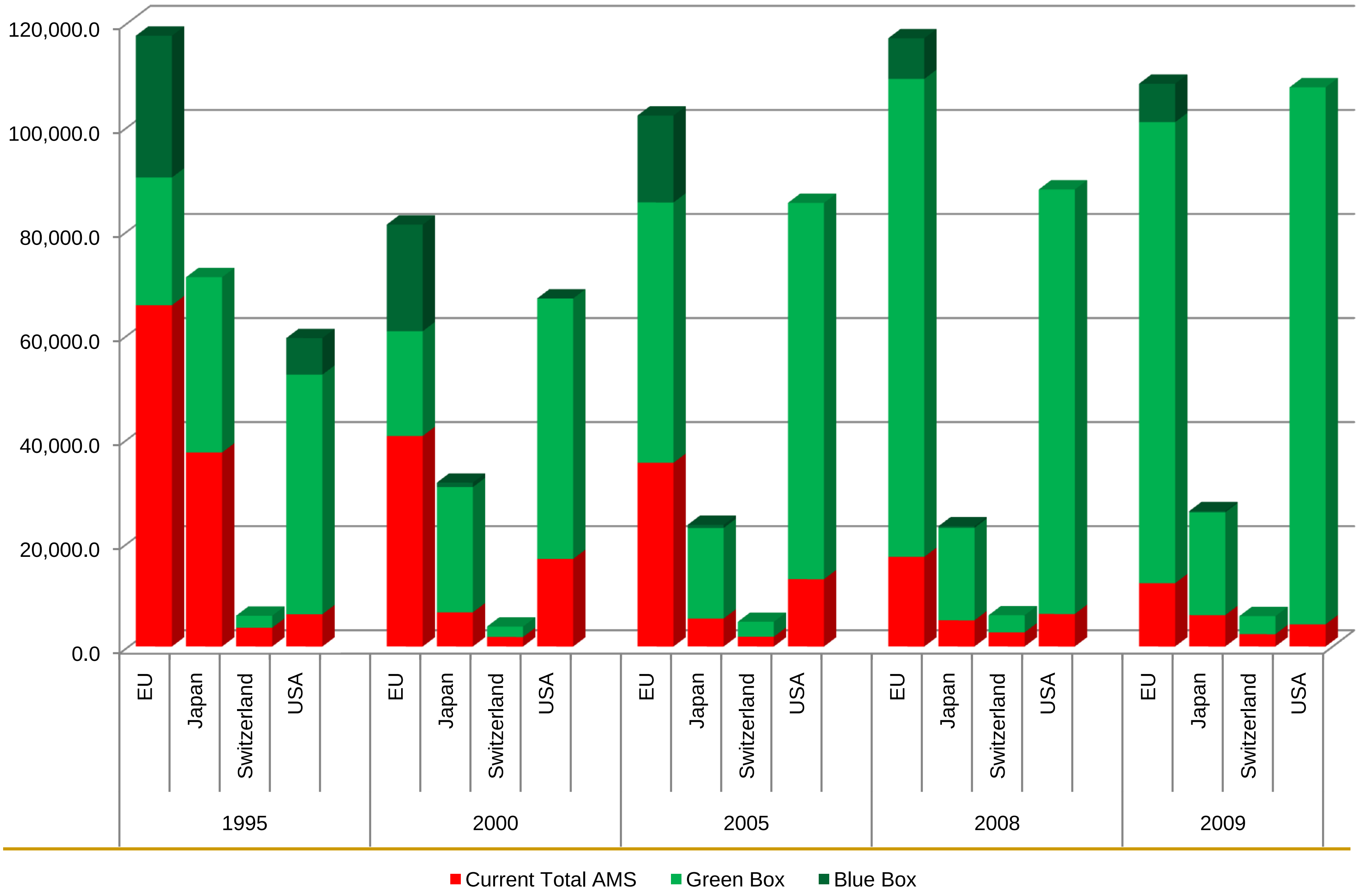
Uruguay Round Reduction Commitments

	Developed	Developing
Time period	6 years	10 years
Total AMS reduction*	20%	13.3%
***De minimis* 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**

Categories of farm support

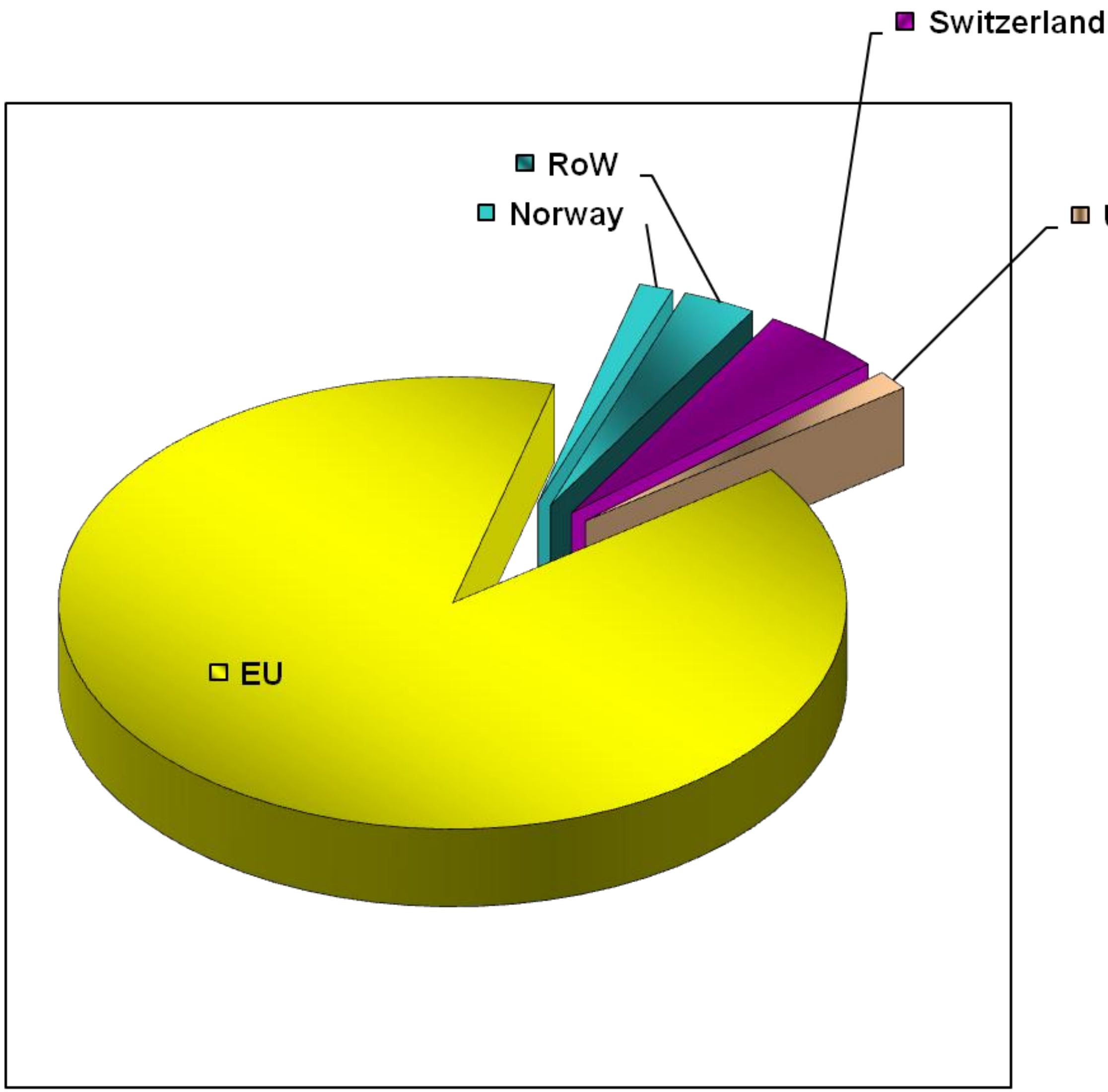


Export Competition

Uruguay Round Reduction Commitments

	Developed	Developing
Time period	6 years	10 years
Export subsidy reduction	36% value, 21% volume	24% value, 14% volume
S&D exemption		Article 9.4 (transport and marketing subsidies)

Who Uses Export Subsidies?

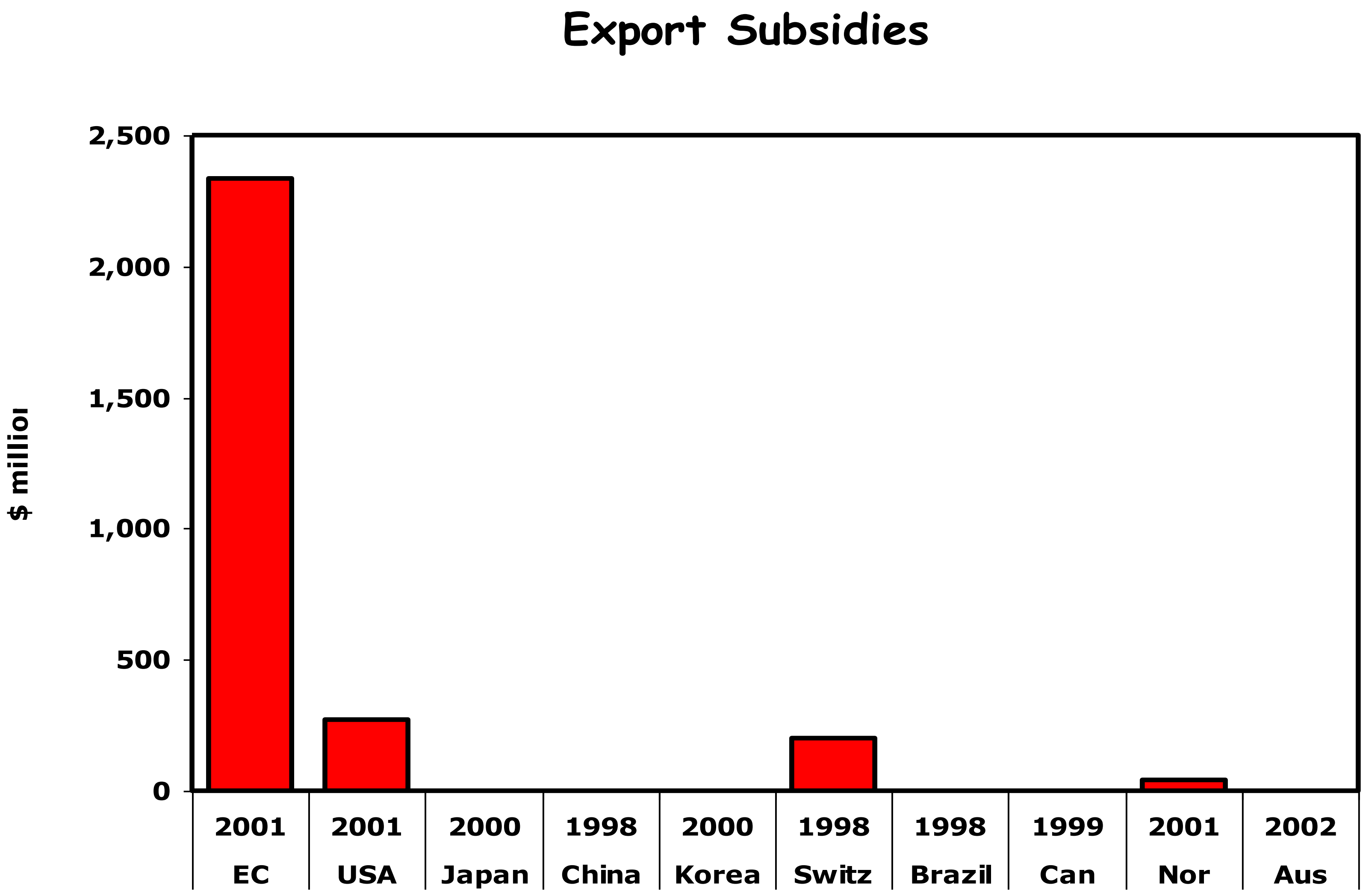


Annual average spending 1995-1999 By commodity category		
		%
Milk products	2'285.8	33.7
Beef	1'289.6	19.0
Processed products	786.0	11.6
Sugar	703.9	10.4
Coarse grains	571.4	8.4
Wheat	372.9	5.5
Pork	203.5	3.0
Poultry	126.5	1.9
Fruits/vegetables	111.3	1.6
Wine	54.3	0.8
Rice	49.1	0.7
Oilseeds	29.4	0.4
Tobacco	6.7	0.1
Fibers	0.1	0.0
Total	6'787.3	100.0

Source: ERS/USDA, based on WTO notifications.

Annual Average = US$ 6.8 billion

Users of Export Subsidies



Export Subsidies Given by WTO Members

- Dairy
  - Products account for 34% of all export subsidy expenditures from 1995-98
  - EU subsidises nearly all its dairy products
  - Nearly 98% of US export subsidy goes to dairy products
- Sugar
  - Roughly 80% of world production & 60% of world trade relies on production & export subsidies
  - Developed countries: 40% of world exports in1990s; 30% in 1970s
  - EC, a net-importer of sugar in the 1970s; 2nd largest exporter of sugar in 2004

PART II

The Doha Round
(2001- …..)

Negotiating Process

- Negotiations take place in meetings of 36 - 37 representative delegations, followed by meetings of the full membership
- Agriculture Negotiating Group – Committee on Agriculture (Special Session)
- Distinct from regular sessions of the Committee on Agriculture (reviews compliance with UR commitments)
- Based on discussions, the Chair brings out “draft modalities”

“Draft Modalities”

- Modalities set broad outlines – e.g. formulas for cuts in domestic subsidies, tariffs & export subsidies; the implementation period
- After the “modalities” have been agreed, each country would use them to cut subsidies, support & tariff ceilings on their agriculture products – these would be their binding commitments

Coalition Groups in Agriculture

- Group dynamics: critical role
- **G-20:** an initiative chaired by Brazil - a coalition of developing countries pressing for ambitious reforms of agriculture in developed countries with some flexibility for developing countries
- **G-33:** an initiative chaired by Indonesia - this coalition spearheading the developing country effort to arrive at satisfactory modalities on Special Products & the Special Safeguard Mechanism

Coalition Groups Contd.

- **G-10:** A coalition of countries lobbying for agriculture to be treated as diverse & special because of non-trade concerns (Chinese Taipei, Rep of Korea, Iceland, Israel, Japan, Liechtenstein, Mauritius, Norway & Switzerland)
- **Cairns Group:** Composed of agricultural exporting nations lobbying for agricultural trade liberalization
- **Cotton-4:** Main African cotton producers - Benin, Burkina Faso, Chad, Mali
- **Other Groups:** African Group, African-Caribbean-Pacific (ACP) Group, SVEs, Least Developed Countries (LDCs) & Tropical Products group

Market Access

Doha Mandate

"… substantial improvements in market access …"

Market Access: Key Issues for developing countries

i. Tariff Cuts
ii. Tariff Simplification
iii. Special Products
iv. Special Safeguards

Tariff Cut Proposals

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 overall average: 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 overall average: 36%

Tariff Simplification: 4 types of NAVs

- Specific duties- specific units of currency are levied per unit of quantity ($ 7/ ton)
- Compound duties- an *ad valorem* duty to which a specific duty is either added or subtracted
- Mixed duties- choice between an *ad valorem* duty and a specific duty, upper and/or a lower limit
- Other formulations – duties determined by complex technical factors, such as % content of the agricultural component (sugar, milk, alcohol content, etc.)

Tariff Simplification: Importance for developing countries

- NAV tariffs : “a form of disguised protectionism in agricultural trade”
- Switzerland and Norway > 2/3 lines are NAV
- US and EU > 40% lines are NAV
- Complex tariffs concentrated in many product groups of interest to developing countries
  - Sugar, cocoa and its preparations, dairy products

Tariff Simplification: Progress in negotiations

- Rev 4:
  - no tariffs shall be bound in a form more complex than the current bindings
  - at least 90% of agriculture bound tariffs to be simple ad valorem tariffs subject to a specified methodology
- Carve-out for EU
- No certainty that other countries will achieve the 90% requirement

Special Products (SPs)

- **Rationale**
  - A special dispensation for developing countries
  - Flexibility in tariff cuts; critical to meet food & livelihood security concerns & rural development needs
- **Core Element**
  - Self-designation of an appropriate number of SPs

SPs Contd.

- Proposal
  - 12% of total tariff lines as SPs
  - Average tariff cut of 11%
  - 5% of total tariff lines to take zero cuts
    - Implies 18-19% overall cut on non-zero cut SPs

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
- **Highly contentious issue**

SSM - Proposals

Volume-based SSM

First Category (Going up to the Uruguay Round bound)

Volume Trigger (%)	Remedy (Additional Safeguard Duty)
110-115	25% of DR bound or 25 percentage points (pp) whichever is higher*
115-135	40% of DR bound or 40 pp whichever is higher*
> 135	50% of DR bound or 50 pp whichever is higher*
*Subject to not crossing Uruguay Round (UR) bound DR: Doha Round	

SSM Contd.

Price-based SSM

- Trigger: a 15% fall in price
- Remedy: safeguard duty to make up 85% of the price difference between trigger price & reference price

SSM Contd.

- **Key unresolved issues**
  - Parameters of price & volume triggers
  - Duration
  - Breaching of Uruguay Round bindings

Domestic Support

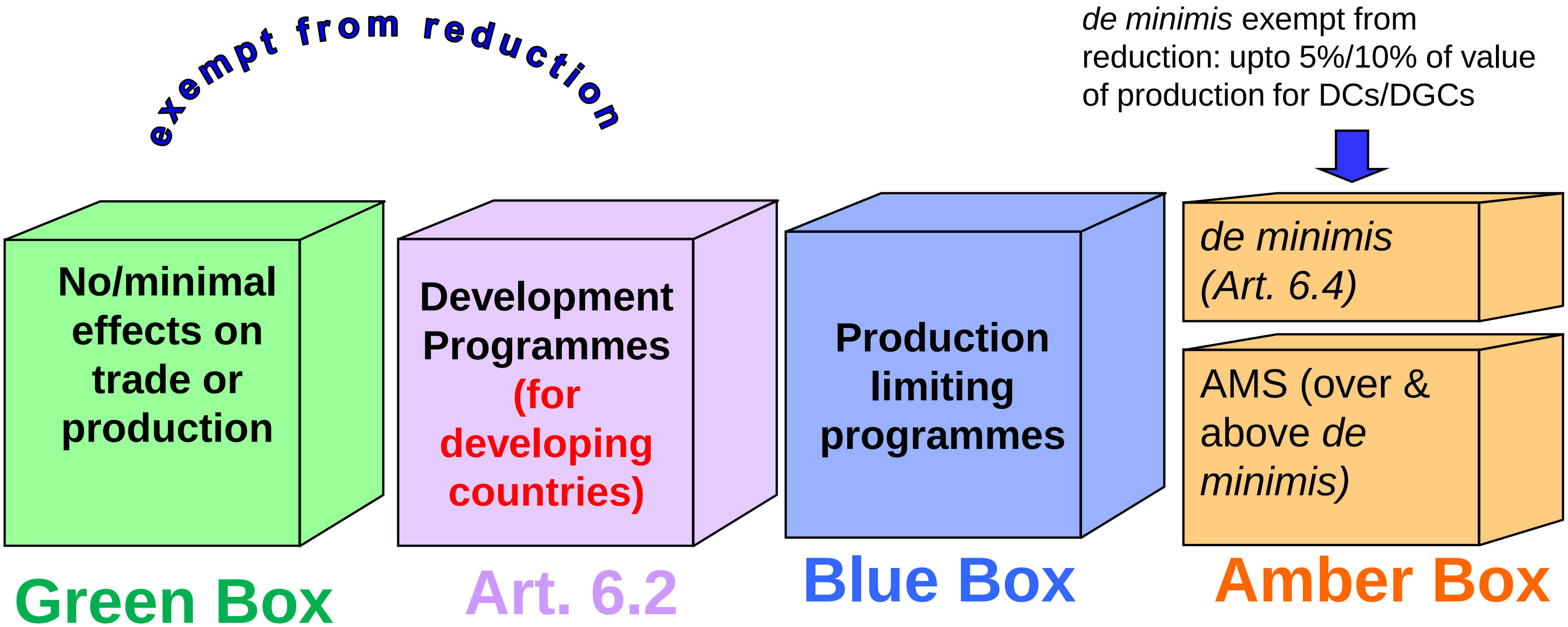
Doha Mandate

"… substantial reductions in trade-distorting domestic support."

Domestic Subsidies: Key Issues

i. OTDS cuts
ii. AMS cuts
iii. Product-specific AMS limits
iv. New Blue Box
v. Caps on total Blue Box; product-specific BB limits
vi. Cotton subsidy cuts

Total Domestic Support: the “Boxes”



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

Source: adapted from WTO presentation

Reductions in OTDS

- OTDS = Amber Box + Blue Box + *de minimis*
- Tiered reduction formula – higher cuts for higher levels of Overall Trade-distorting Domestic Support (OTDS)

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

Minimum overall commitment

Reductions in OTDS Contd.

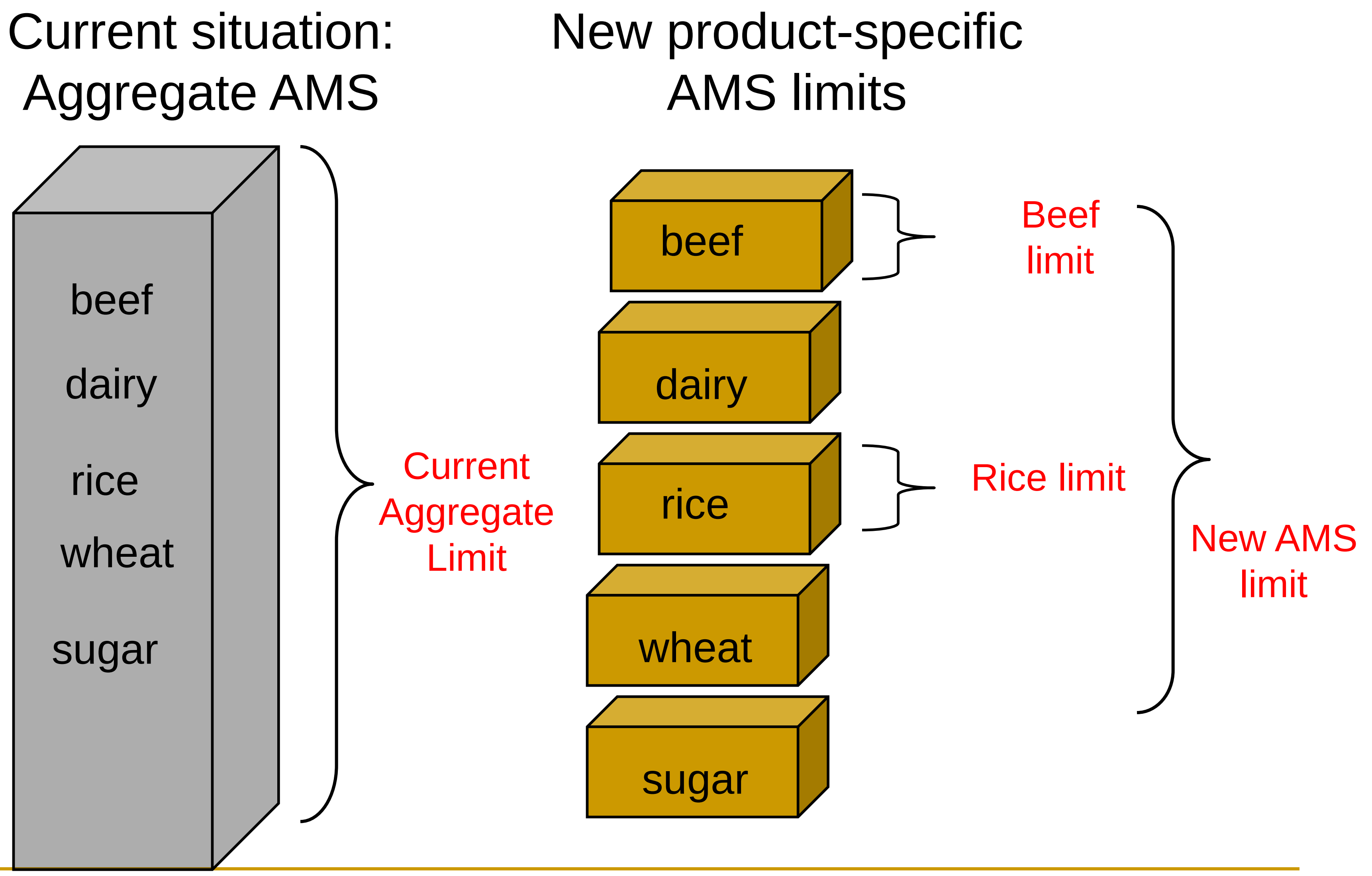
- 70% cut by US - from \$48.2bn to \$14.5bn – well above their actual levels (estimated \$ 7 billion)
- 80% cut by EU – from €110 bn to €22 bn (2004: applied OTDS = €57.8 billion)
- Developing countries: 2/3rd of developed country cuts in the third tier (37%); longer implementation period
- **Developing countries without Total AMS commitment not required to make any cuts**

Reductions in Final Bound AMS

- Tiered reduction formula – higher cuts for higher levels of AMS

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

Product-Specific AMS Limits



- Source: adapted from WTO presentation

Cotton Subsidies

- Key element of the Round
- Main proponents: Cotton-4 countries of Africa (Benin, Burkina Faso, Chad, Mali)
- trade-distorting domestic support for cotton to be cut by more than rest of the ag sector)
- formula implies 82.2% cut in AMS support for cotton by the US
- very little progress in multilateral discussions
- **US has problems**
  - **Product-specific AMS limit for US would be 42% higher due to deviation from general rule**

Export Competition

Doha Mandate

"… reductions of, with a view to phasing out, all forms of export subsidies …"

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