

# Agriculture: Key Unresolved Issues in the Doha Round

Specialised Training Programme on Current WTO  
Issues

Indian Institute of Foreign Trade

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# Agreement on Agriculture

- Agreement on Agriculture (1.1.95) – outcome of Uruguay Round (1986-94)
  - Defines “agricultural products” - 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

# The Doha Round (Since 2001)

# Doha Round Negotiations

- 9<sup>th</sup> Round - launched in 2001 in Doha (previous round - Uruguay Round: 1986-94)
- **Strong development dimension**
  - attempt to focus on benefits to developing countries through increased global trade opportunities
  - Special and Differential Treatment (S&DT) for developing countries, LDCs, SVEs

# Doha Round Mandate - Agriculture

- Comprehensive negotiations aimed at:
  - substantial improvements in ***Market Access***
  - substantial reductions in trade-distorting ***Domestic Support***
  - reductions of/eventual phasing out, all forms of ***Export Subsidies***
  - S&D - integral to negotiations & outcome
- Non-trade concerns especially of developing countries to be taken into account eg **environmental protection, food security, rural development, livelihood**

# 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

- **G-20:** a coalition of developing countries pressing for ambitious reforms of agriculture in developed countries with some flexibility for developing countries
- **G-33:** this coalition is 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

- Basic principle
  - tariffs only, ceilings (bound rates)
- Uruguay Round
  - Developed countries cut tariffs by an average of 36% in equal steps over 6 years; developing countries 24% over 10 years
  - Special Safeguards permitted for products that underwent tariffication

## Doha Mandate

“... substantial improvements in  
market access ...”

# 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 (2/3<sup>rds</sup> 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%

# Implication of Tariff Cuts: Examples

Current Uruguay Round Bound Rates	New Doha Round Bound Rates (after 10 years)
10	6.67
50	31.00
100	57.33
150	80.00
300	159.99

# 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

# Special Safeguard Mechanism

- **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
- Two types of instruments – volume-based & price-based



# Tariff Capping

- some very high tariffs in developed countries
  - e.g. 408% on beef; 265% on buttermilk; 200% on some fruits & vegetables in EU
  - over 700% on some rice lines in Japan,
- One of the proposals was to cap such tariffs
- only SEPs to be retained at tariffs > 100% after formula tariff cuts
- Iceland, Japan, Norway & Switzerland to retain upto 1% of their non-sensitive tariff lines also >100% subject to additional market access/faster or deeper tariff cuts

# Tariff Simplification

- tariffs to be in *ad valorem* (AV) terms- most developing countries have that; developed countries use compound, mixed or complex tariffs
  - act as barriers
- developing countries demanding complete conversion to AV terms for transparency, better market access

# Tropical Products & Preference Erosion

- Doha mandate: fullest liberalisation of trade in Tropical Products (TPs)
- Modalities: deeper cuts in tariffs on TPs
- Conflicts with demand for slower liberalisation for products with long-standing preferences
- ACP countries long enjoyed tariff-free access to EU banana market; apprehensive about preference erosion

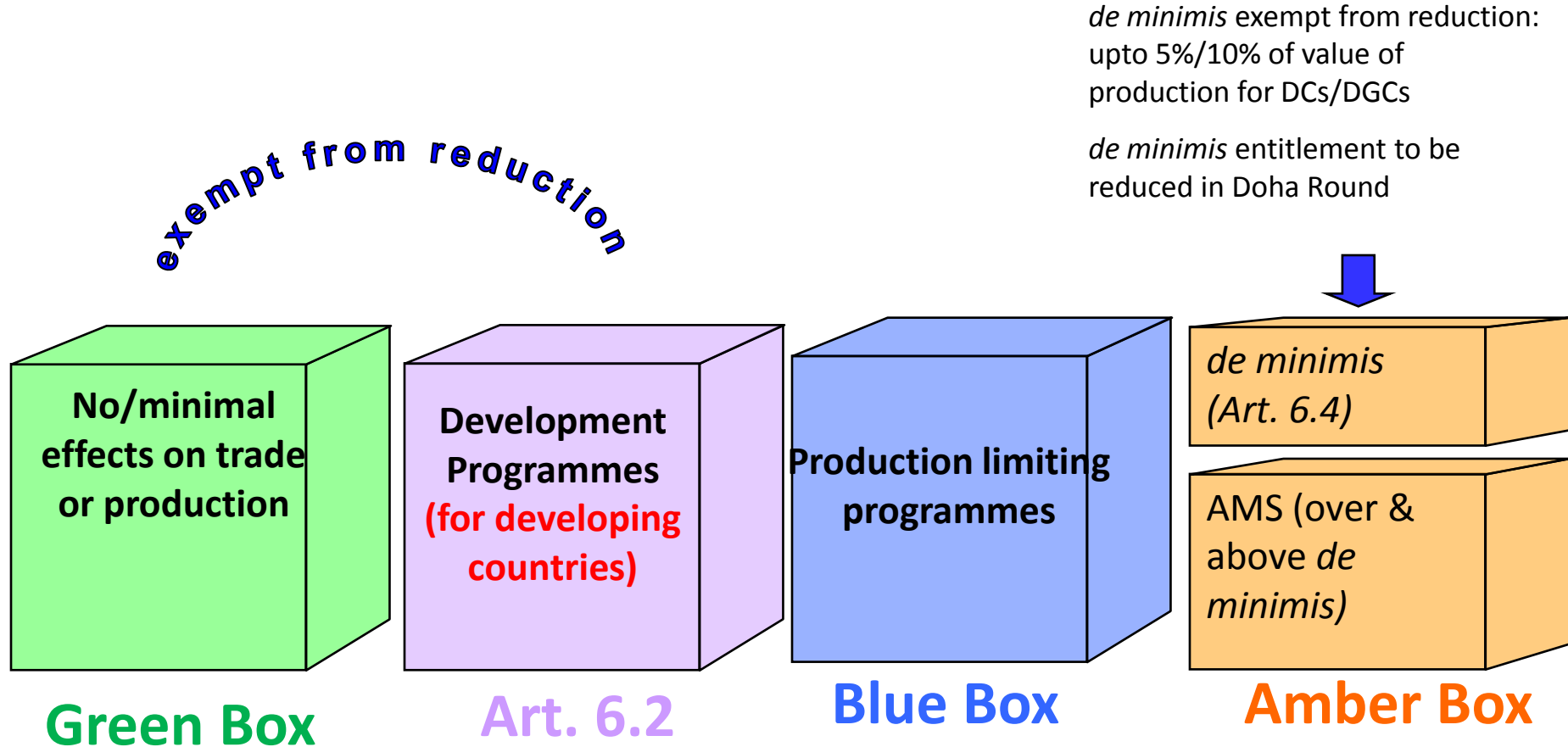
# Anything in Bali on Market Access?

- Only an Understanding on TRQ Administration
- TRQs: quantities inside a quota are charged lower import duty rates, beyond the quota, the rate is higher
- The Ministerial Decision is aimed at better implementation of the tariff quota commitments assumed in the Uruguay Round – puts in place a ‘re-allocation mechanism’

# Agricultural Support – WTO Framework

- No *prohibited* subsidies under WTO rules on agricultural trade
- Support is classified according to distortive effect on trade & production

# Total Domestic Support: the “Boxes”



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

# Types of Support

## Green Box

- No limits on Green Box measures; can be used without any financial limitation under the WTO provided the general criteria & measure-specific criteria are met
  - Includes general services e.g. R&D, training, infrastructure, research, pest & disease control or marketing & promotion services
  - Includes public stockholding for food security, domestic food aid, but if food is purchased at *administered prices*, subsidy component must be notified

## Article 6.2 of AOA

- Measures of assistance (direct &/or indirect) designed to encourage agricultural & rural development & integral to the development programmes of developing countries are exempt from reduction commitments under Article 6.2

# The 'Amber Box'

- Covers all domestic support measures considered to distort production & trade (except Art. 6.2 support); subject to limits
- 28 WTO Members had reduction commitments in the Uruguay Round (UR)



## Doha Mandate

*“... substantial reductions in trade-distorting domestic support.”*

# 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)

<b>Tier</b>	<b>Threshold (US\$ billion)</b>	<b>Cuts</b>
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: 2/3<sup>rd</sup> of developed country cuts in the third tier (37%); longer implementation period
- Developing countries without Total AMS commitment, not required to make any cuts

# 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

# Bali Ministerial Decision

- In Bali, Ministers adopted a Decision on Public Stockholding for Food Security Purposes
- What is this about?

# AOA text on Public Stockholding for Food Security Purposes

## Green Box Paragraph 3: Public stockholding for food security purposes (Extracts)

Expenditures (or revenue foregone) in relation to the accumulation and holding of stocks of products which form an integral part of a food security programme identified in national legislation. ....

The volume and accumulation of such stocks shall correspond to predetermined targets related solely to food security. ....Food purchases by the government shall be made at current market prices and sales from food security stocks shall be made at no less than the current domestic market price for the product and quality in question.

**Footnote 5:** For the purposes of paragraph 3 of this Annex, governmental stockholding programmes for food security purposes in developing countries whose operation is transparent and conducted in accordance with officially published objective criteria or guidelines shall be considered to be in conformity with the provisions of this paragraph, including programmes under which stocks of foodstuffs for food security purposes are acquired and released at administered prices, provided that the difference between the acquisition price and the external reference price is accounted for in the AMS.

# Calculation of Market Price Support for Agricultural Products as per WTO Rules

$$\text{MPS} = (\text{AAP} - \text{ERP}) \times \text{Q}$$

- where,
  - ‘MPS’ is the Market Price Support
  - ‘AAP’ is the Applied Administered Price
  - ERP is the External Reference Price (for the years 1986-88)
  - ‘Q’ is the quantity of production eligible to receive the applied administered price
- Members like India, without reduction commitments, must keep support within “product-specific” & “non-product-specific” *de minimis* (10% of VOP for developing countries; 5% for developed countries)
  - Implication: Members with UR reduction commitments can continue to provide support upto the scheduled limit of the last year of the UR implementation period; others have to remain within the *de minimis* limits

# Options Discussed in WTO

- A.** Original proposal of G-33: amendment of the Agreement to exclude procurement from low-income/resource-poor producers from subsidy calculations
  
- B.** Alternatives suggested by G-33: Modify/clarify variables in formula e.g. re-base External Reference Prices



## Options Contd.

- C. Interpretation of Article 18.4 of AOA to permit inflation adjustment (A 'Deflator Mechanism'):
  - *Art. 18.4: In the review process Members shall give due consideration to the influence of excessive rates of inflation on the ability of any Member to abide by its domestic support commitments.*
- D. Peace Clause: relief from WTO commitments on a temporary basis

# What was decided in Bali?

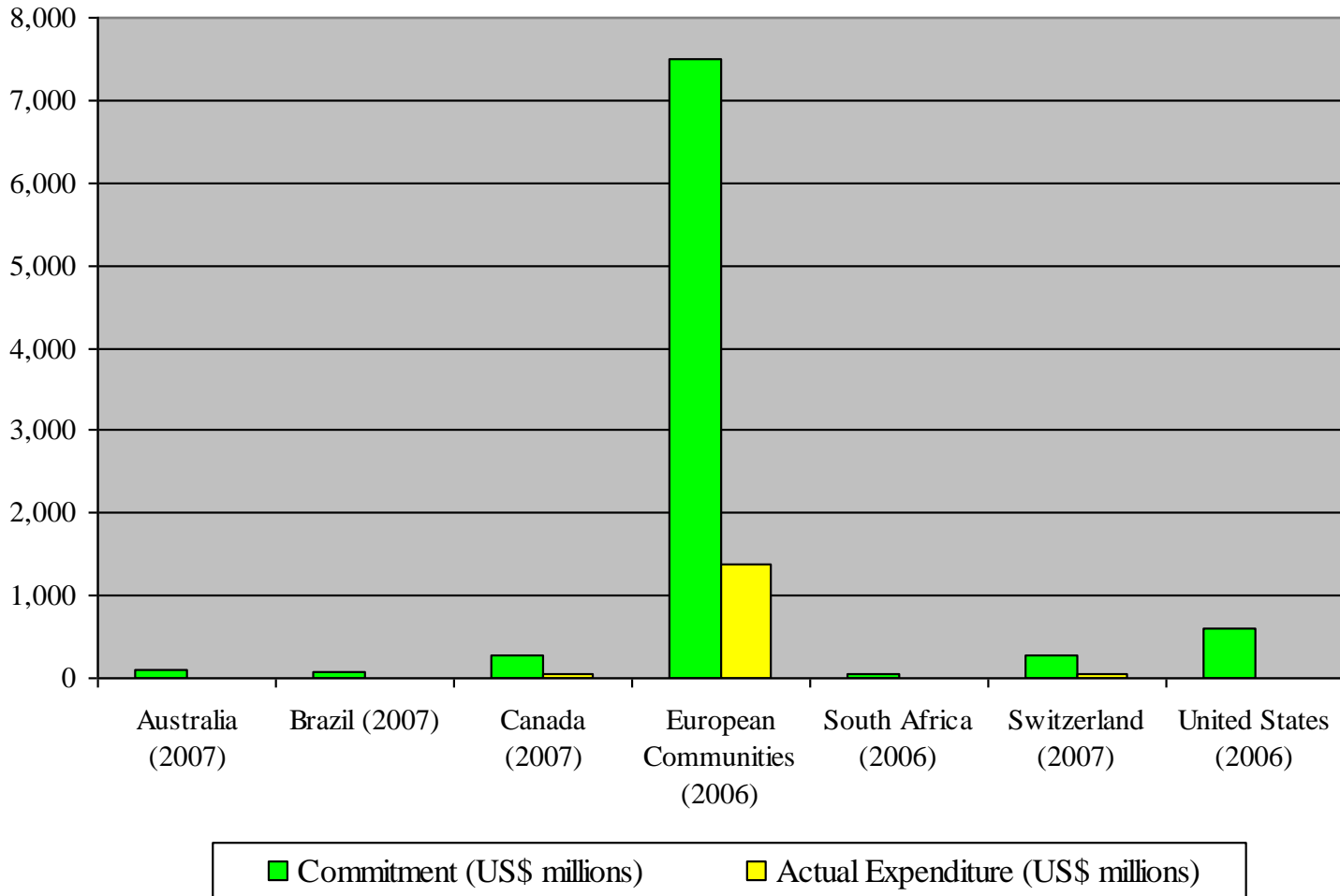
- Ministerial Decision on Public Stockholding for Food Security Purposes
  - No challenge under AOA regarding Members' compliance with commitments relating to public stockholding for food security purposes
  - Permanent solution to be negotiated for adoption by the 11<sup>th</sup> Ministerial Conference – Work Programme to be established for this
  - Relief to continue till the permanent solution is found
- Next step: the Work Programme

# Export Competition

# Export Subsidies

- Export subsidies prohibited by AOA unless specified in the member's schedule
  - Where scheduled, AOA requires the member to cut both the amount spent on export subsidies & the quantities of exports that received subsidies

# Export Subsidy Use



## 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

# Anything in Bali on Export Competition?

- Ministers reaffirmed commitment to the Hong Kong Ministerial Declaration 2005
  - For elimination of all forms of export subsidies
  - Disciplines on all export measures
- How?
  - Dedicated annual discussions in the COA to examine developments in export competition
  - Review of the situation at the 10<sup>th</sup> Ministerial Conference



# What Next?

- The DDA has been kept alive
  - Trade Negotiations Committee to prepare by Dec 2014 a clearly defined work program on the remaining Doha issues
  - Issues in the Bali package where legally binding outcomes could not be achieved, to be prioritised
- Implementation of the Food Security decision-negotiations in the COA on a Permanent Solution
- Implementation of the decisions on Export Competition & TRQ administration

# Likely Scenario

- Market access has been the focus of developed countries for some time – can expect more of the same - so tariff cuts, SPs, SSM will be back on the table
- Should press for cuts in subsidies – domestic & export - issues not dealt with outside the multilateral forum. But will this find takers?
- Rough road ahead

THANK YOU