



विश्व व्यापार संगठन अध्ययन केन्द्र

WTO and Agriculture

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Prior to AoA

- After Second World War: Policy of stable production, food prices and national food security.
- The exceptions and exemptions within the GATT: high levels of support in wealthy countries.
- In Developing countries low food-price policies and over-valued exchange rates made the impact on low-income countries even worse.
- Not only did they have to compete with subsidised production and exports in wealthier countries but their own governments often applied export taxes or enforced low procurement prices. The combination of these policies meant agricultural trade was highly distorted.
- In the early 1970s, commodity prices were high and the main subsidisers, the EU and the US. However, demand fell in the early eighties due to recession and high interest rates.
- The growing competition : EU and US. (Export Subsidies)

Simultaneously, numerous commentators from independent economists to inter-governmental organizations began to take a more active interest in agricultural policies. (OECD 1987)

The Cairns Group of exporters of agricultural products, formed in 1986, added to the pressure for reform.

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

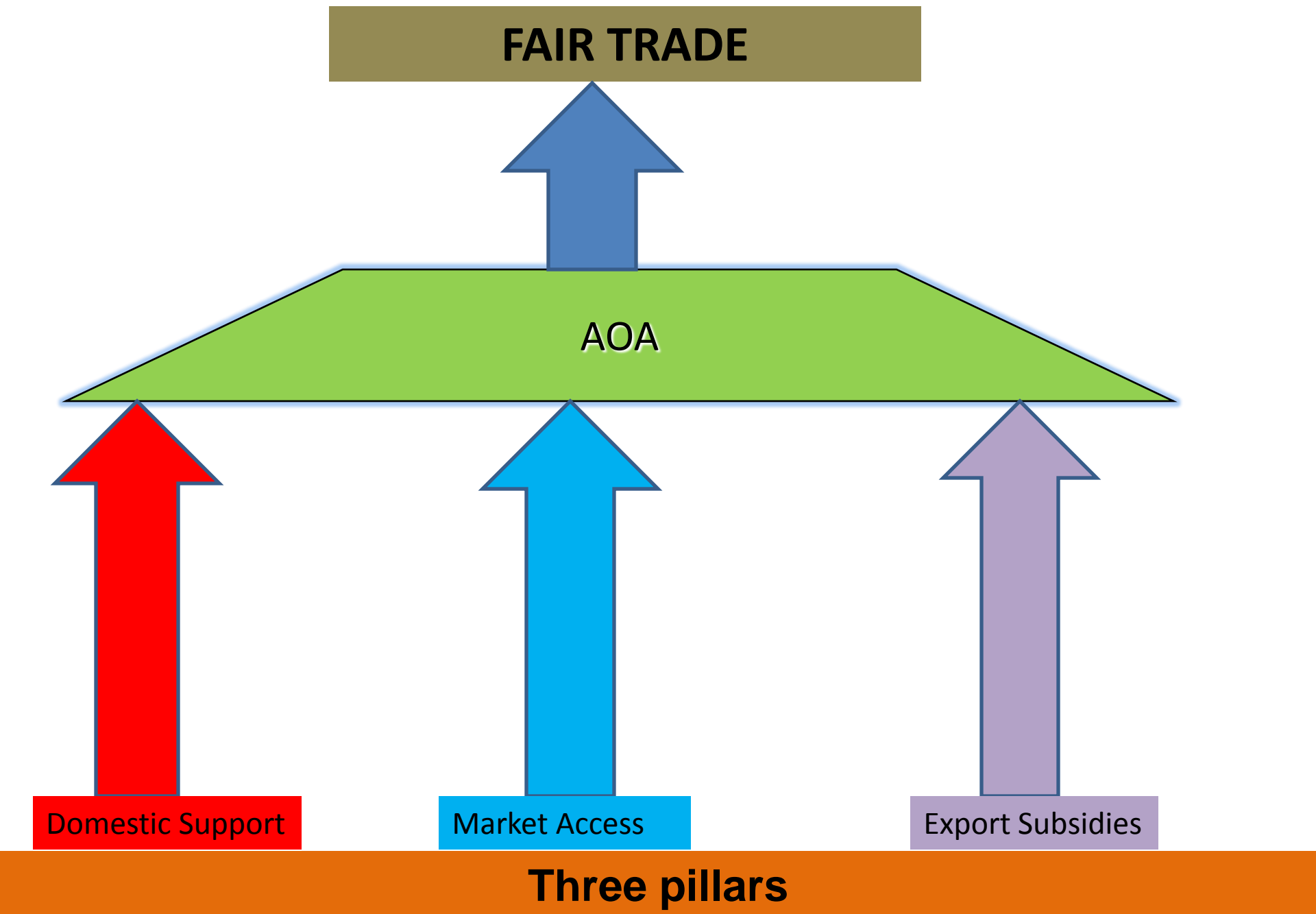
AOA

Domestic Support

Market Access

Export Subsidies

Three pillars



PRODUCT COVERAGE

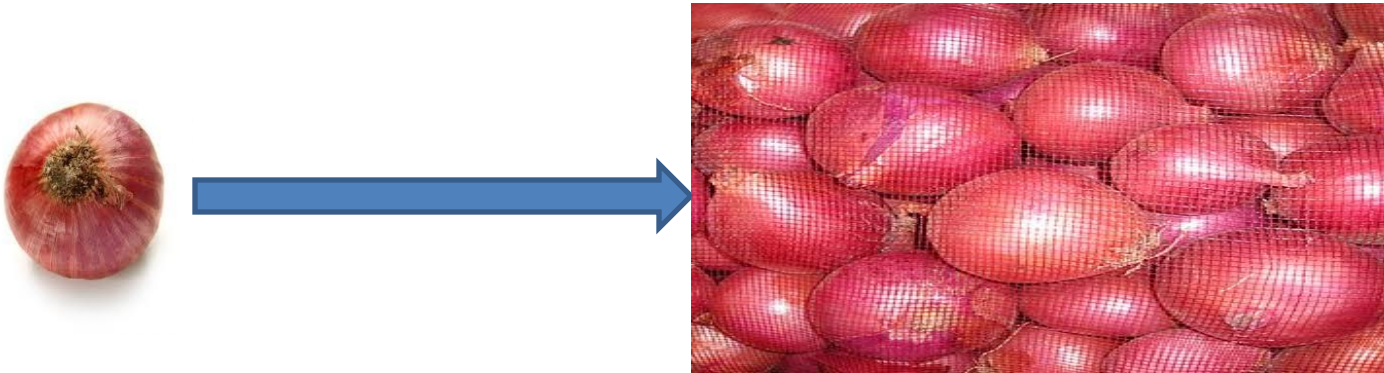
1. This Agreement shall cover the following products:

- (i) HS Chapters 1 to 24 less fish and fish products, plus*
- (ii) HS Code 2905.43 (mannitol)
 - HS Code 2905.44 (sorbitol)
 - HS Heading 33.01 (essential oils)
 - HS Headings 35.01 to 35.05 (albuminoidal substances, modified starches, glues)
 - HS Code 3809.10 (finishing agents)
 - HS Code 3823.60 (sorbitol n.e.p.)
 - HS Headings 41.01 to 41.03 (hides and skins)
 - HS Heading 43.01 (raw furskins)
 - HS Headings 50.01 to 50.03 (raw silk and silk waste)
 - HS Headings 51.01 to 51.03 (wool and animal hair)
 - HS Headings 52.01 to 52.03 (raw cotton, waste and cotton carded or combed)
 - HS Heading 53.01 (raw flax)
 - HS Heading 53.02 (raw hemp)

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

Domestic support per person who is economically active in agriculture sector (USD\$)

Countries	1995	2000	2003	2007	2009	2010
European Union + (Total)	6579	5409	6520	9261	9764	
Japan	19645	11614	10739	11408	17053	
Switzerland	31865	22957	30452	34692	40850	42908
United States of America	17676	21491	24495	30754	41772	49484
India	37	48	61			
Brazil	378	135	103	279	418	

Source: Calculated on the basis of WTO notifications and FAOSTAT

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

Article 6.2

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graph TD; A[Article 6.2] --> B[Trade-distorting programmes for DgC and LDC (that would otherwise be included in the Amber Box)]; B --> C[Development programmes exempt from reduction]; C --> D["• investment subsidies generally available  
• input subsidies generally available to low-income or resource-poor producers  
• support to encourage diversification from growing illicit narcotic crops"]; style A fill:#e67e22,color:#fff; style B fill:#f39c12; style C fill:#f39c12; style D fill:#e74c3c,color:#fff;
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Trade-distorting programmes for DgC and LDC
(that would otherwise be included in the **Amber Box**)

Development programmes exempt from reduction

- investment subsidies generally available
- input subsidies generally available to low-income or resource-poor producers
- support to encourage diversification from growing illicit narcotic crops

De minimis

- AoA exempts relatively small amounts of Amber Box support from the Total AMS commitment.
- When commitments were established in the Uruguay Round, Members were not required to include in their Total AMS the value of support during the base period 1986-88 that was within *de minimis* levels.

Product-specific AMS

1. Market Price Support
2. Non-exempt Direct Payments
3. Other product-specific support

Product-specific EMS

+

Non-product-specific AMS

=

Current Total AMS

But

If less than 5% (10% for developing country Members) of value of production of a product then zero

But

If less than 5% (10% for developing country Members) of value of total agricultural production then zero

Note: Reduction Commitments Apply to Current Total AMS only

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)

Special and Differential Treatment (article 9.4)

- During the implementation period,
- provided that these are not applied in a manner that would circumvent reduction commitments,
- Subsidies to reduce cost of marketing, including handling, upgrading, international transport and freight
- Favourable internal transport and freight charges on export shipments

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%

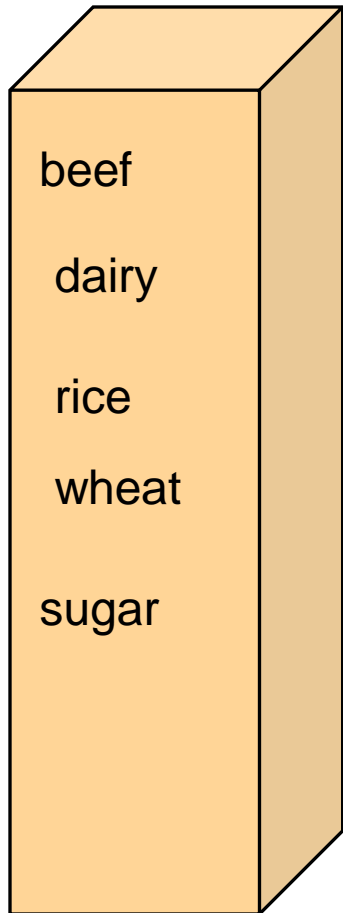
No reduction commitments for LDCs

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%

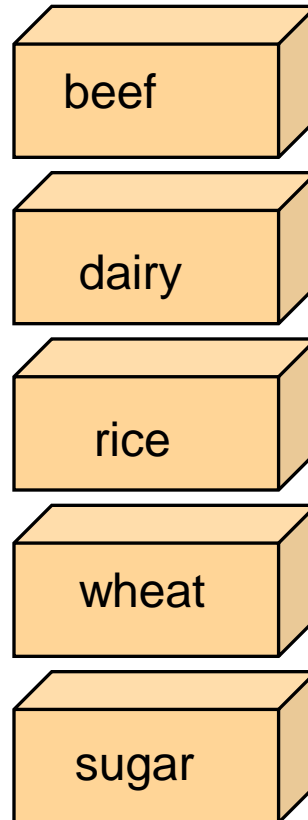
Product-Specific AMS Limits

Current situation:
Aggregate AMS



Current
aggregate
limit

New product-specific
AMS limits



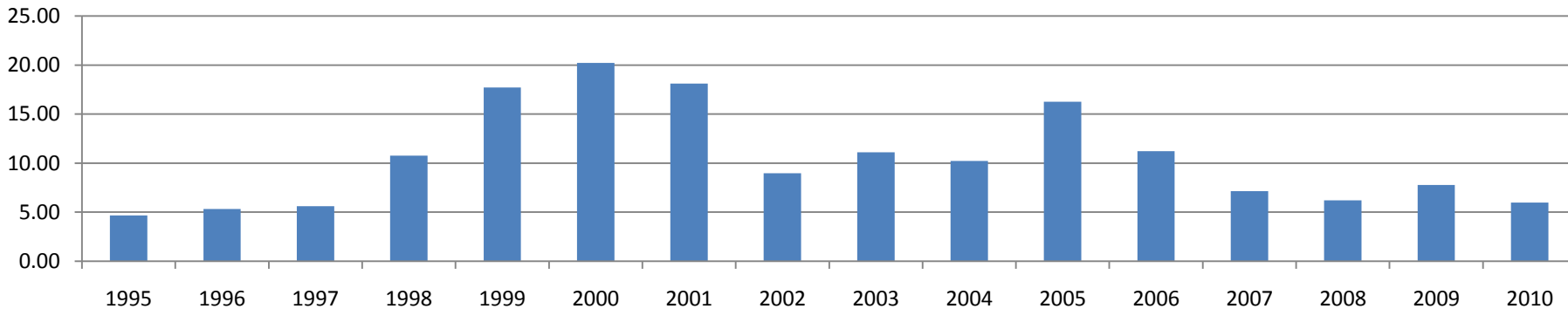
Beef
limit

Rice limit

AMS
limit

Total Expenditure = US\$ 167 Billion (1995-2010)

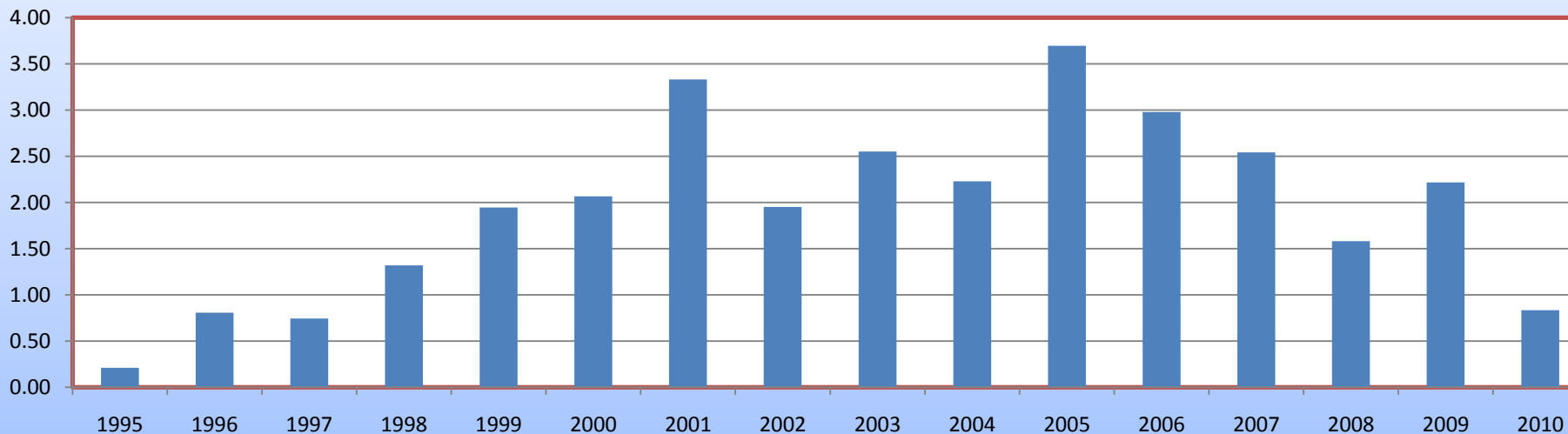
Total Subsidy in USA (billion US\$)



SOURCE: ENVIRONMENT WORKING GROUP, FARM SUBSIDY DATABASE

Total Expenditure on Cotton = US\$ 31.04 Billion (1995-2010)

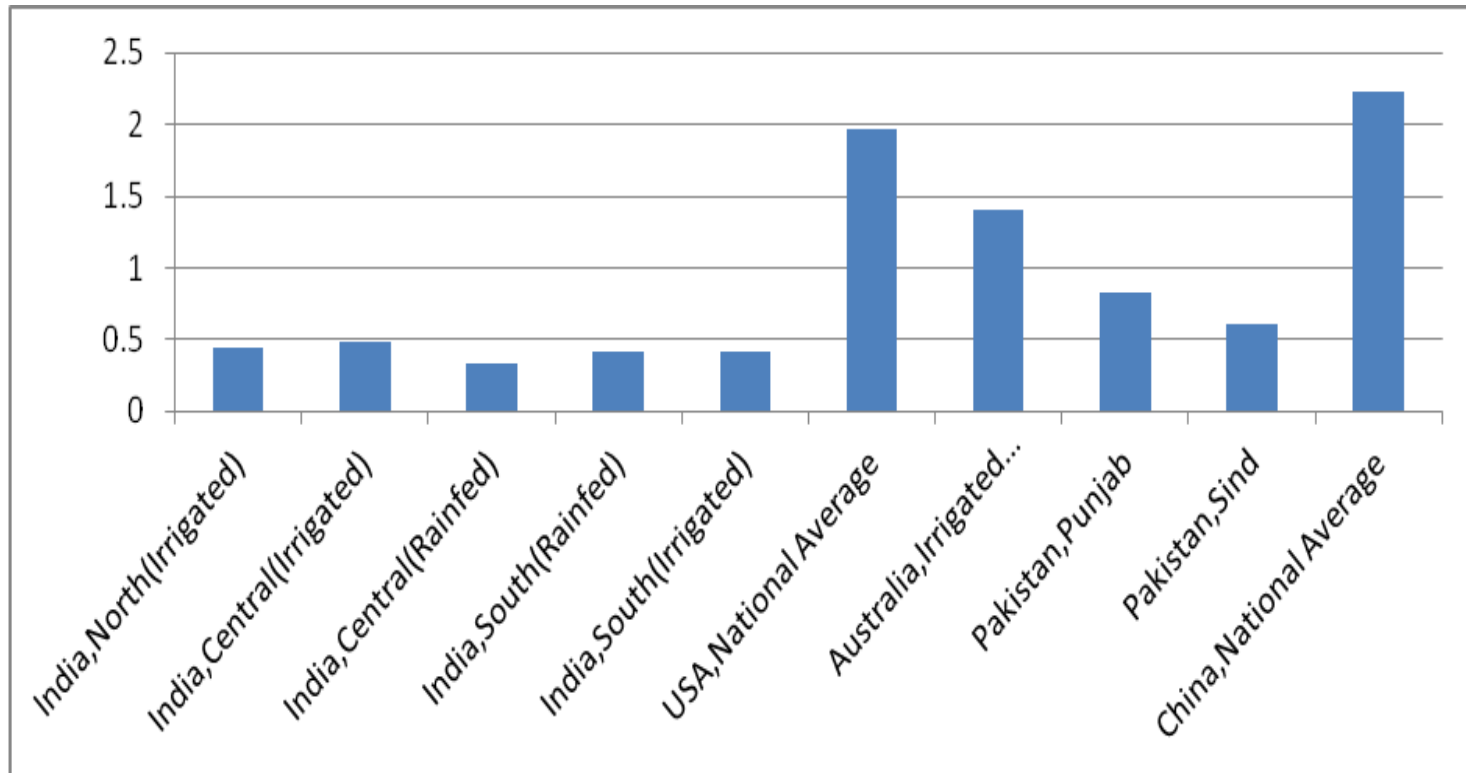
US Subsidy in Cotton (billion US\$)



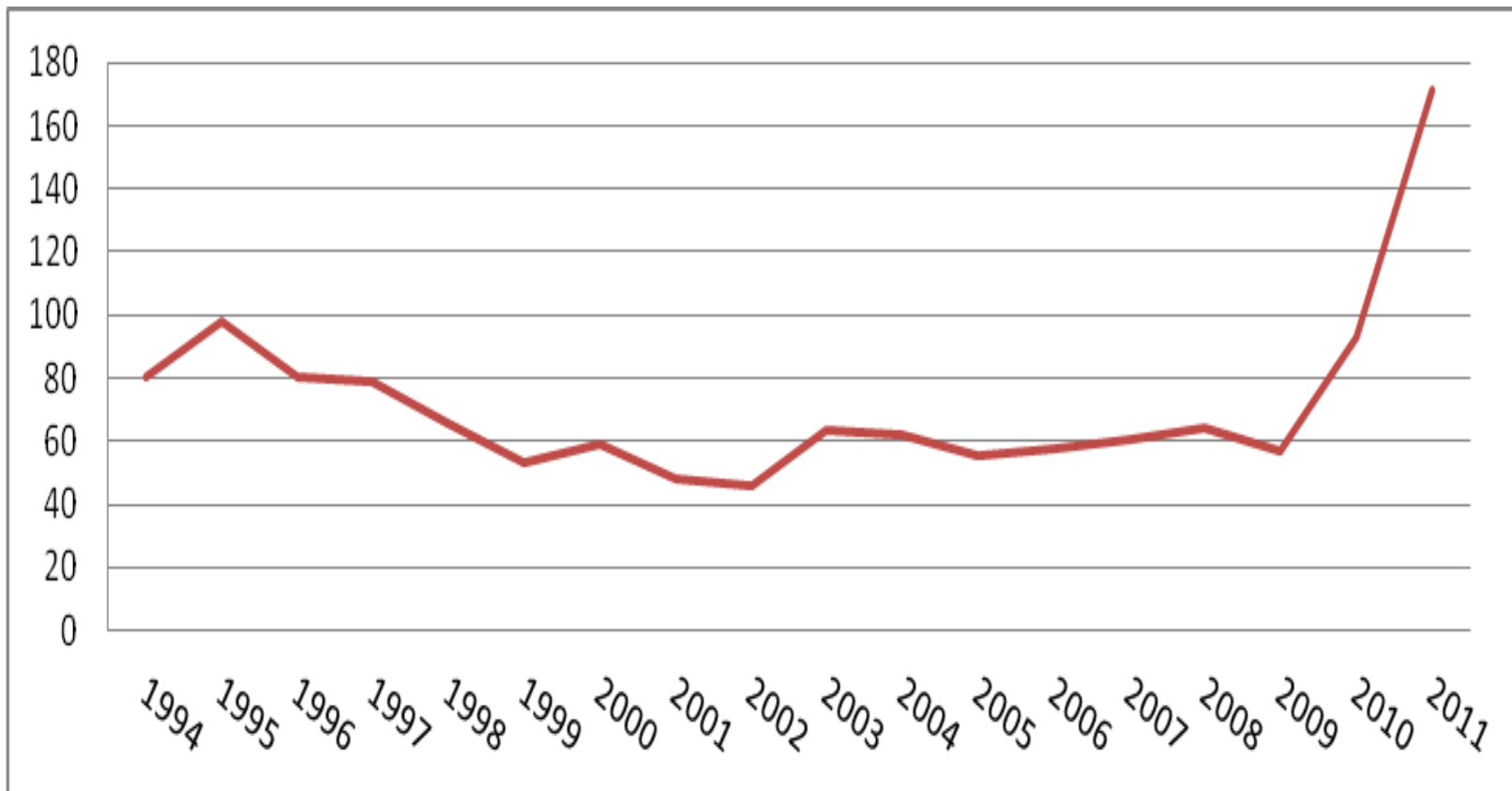
USA: Product Specific Support as a Percentage of Value of Production (%)

Product	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Dairy	23.13	20.34	21.03	18.74	19.92	24.41	18.01	30.43	22.15	16.91	19.18	21.41	14.07	11.33	12.29
Corn	0.14	0.11	0.67	8.10	14.93	15.07	7.02	0.90	0.95	12.55	20.23	0.06	0.03	0.04	0.25
Rice	0.77	0.34	0.36	1.23	35.33	59.47	82.47	72.64	30.88	7.69	7.61	0.15	0.16	0.12	0.81
Wheat	0.05	0.08	0.44	7.60	17.41	14.67	3.54	0.40	1.35	1.24	0.40	0.03	0.00	0.01	4.01
Soybeans	0.11	0.08	0.26	9.45	23.40	28.99	28.74	0.34	0.14	2.83	0.40	0.32	0.02	0.02	0.67
Sugar	51.09	44.42	49.33	49.64	56.29	57.30	52.31	63.09	55.10	66.49	61.57	52.80	58.17	54.47	48.68
Cotton	0.44	0.05	6.84	19.44	53.86	21.30	74.16	27.01	6.91	39.06	28.46	27.23	4.00	28.36	3.33

Cost of producing One Kg of Cotton (US\$)



Trend in International Cotton Prices
Cotton (COTLOOK, index 'A')
US cents/lb



Imbalances in the AOA

- Skewed in favour of developed countries
- Designed around their programmes
- S&D treatment inadequate – merely longer implementation periods & slightly lower cuts in tariffs & subsidies
- Allows developed countries to continue providing trade-distorting support while restricting developing countries
- No material cuts in support or tariffs
- No significant gain in market access for developing countries

THANK YOU