

WTO Agreement on Agriculture

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OUTLINE

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4. MARKET ACCESS
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 - Special Product
 - Special Safeguard Mechanism
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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.

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.**



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 India-Brazil initiative - a coalition of developing countries pressing for ambitious reforms of agriculture in developed countries with some flexibility for developing countries
- **G-33**: an Indian 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



DOHA NEGOTIATIONS

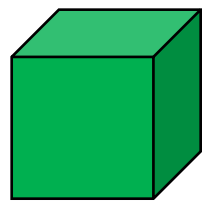
Objective

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

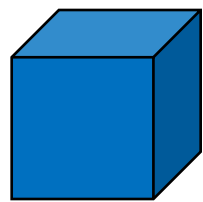
By:

- **Setting limits** where they do not exist (except for Green Box and Art.6.2 subsidies)
 - Overall Blue Box, product specific Blue Box, product specific AMS
- **Reducing limits** where they exist
 - AMS, de minimis
- Establishing a **new constraint** – OTDS
- **[Clarifying** the Green Box criteria]

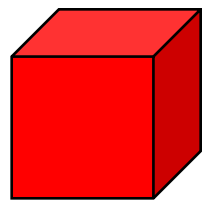
DIFFERENT BOXES IN AoA



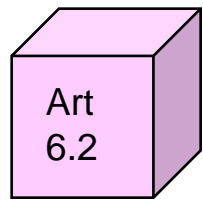
Everybody, without any limit



Everybody, without any limit



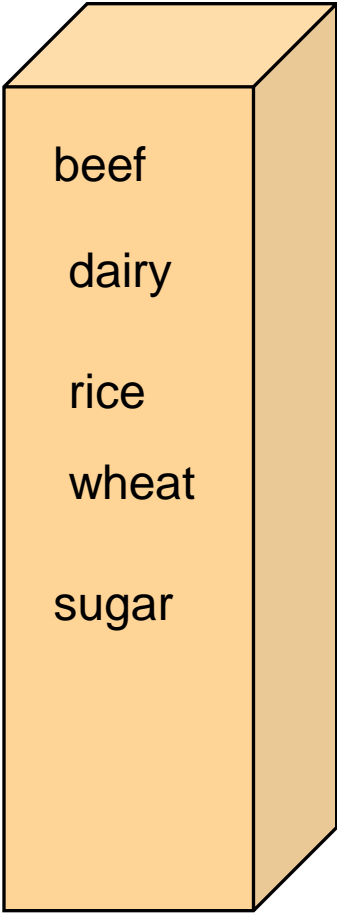
Members with Final Bound Total AMS commitment;
others - up to their *de minimis* limit (Art.6.4)



Developing countries, without any
limit

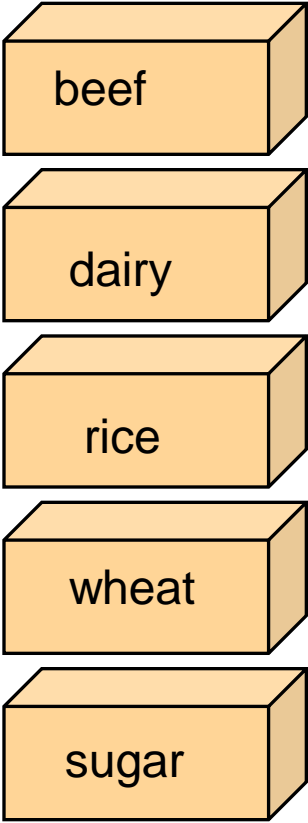
PRODUCT-SPECIFIC AMS LIMITS

Current situation:
Aggregate AMS



Current
aggregate
limit

New product-specific
AMS limits



Beef
limit

Rice limit

AMS
limit

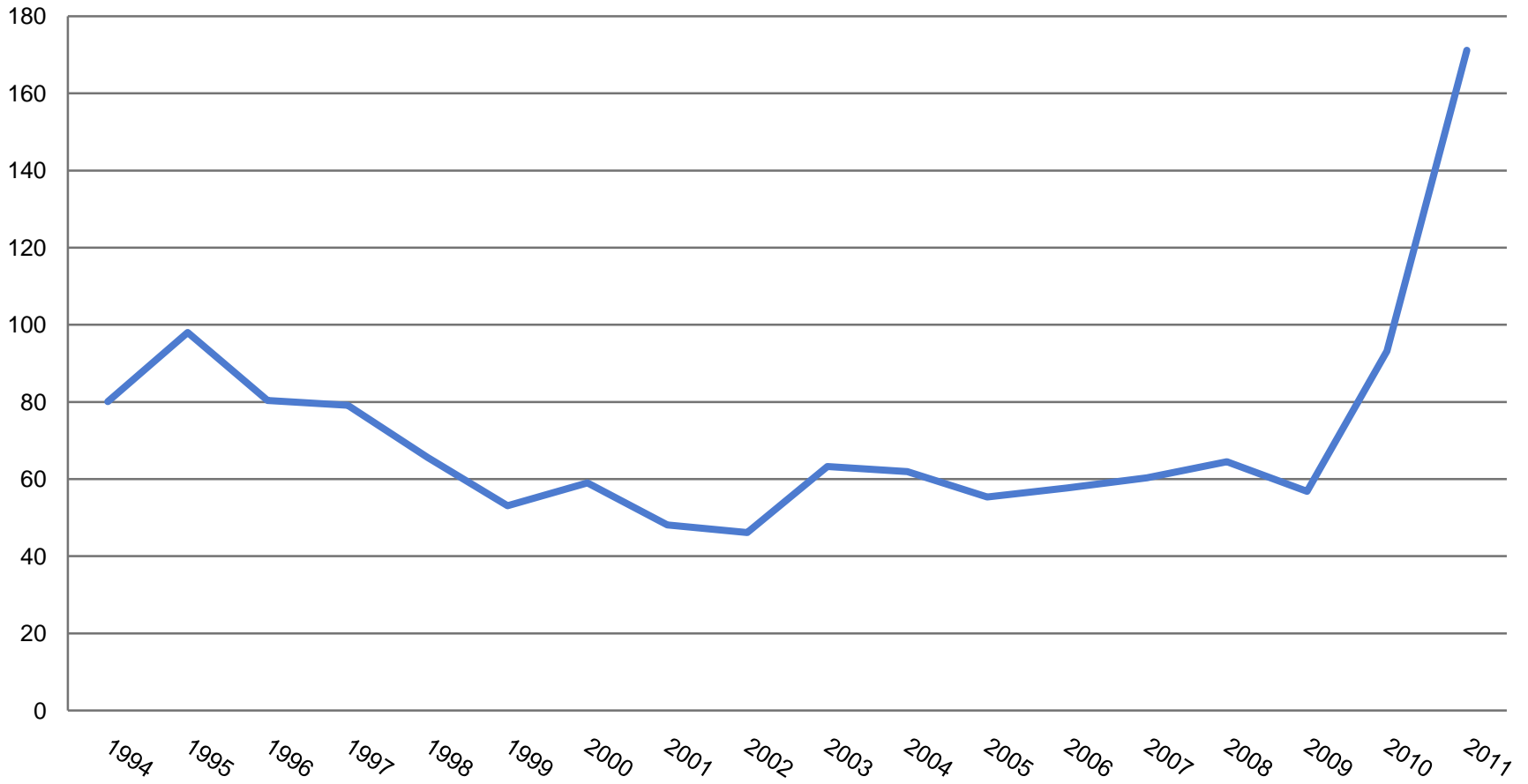


USA: Product Specific Support as a Percentage of Value of Production (%)

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



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

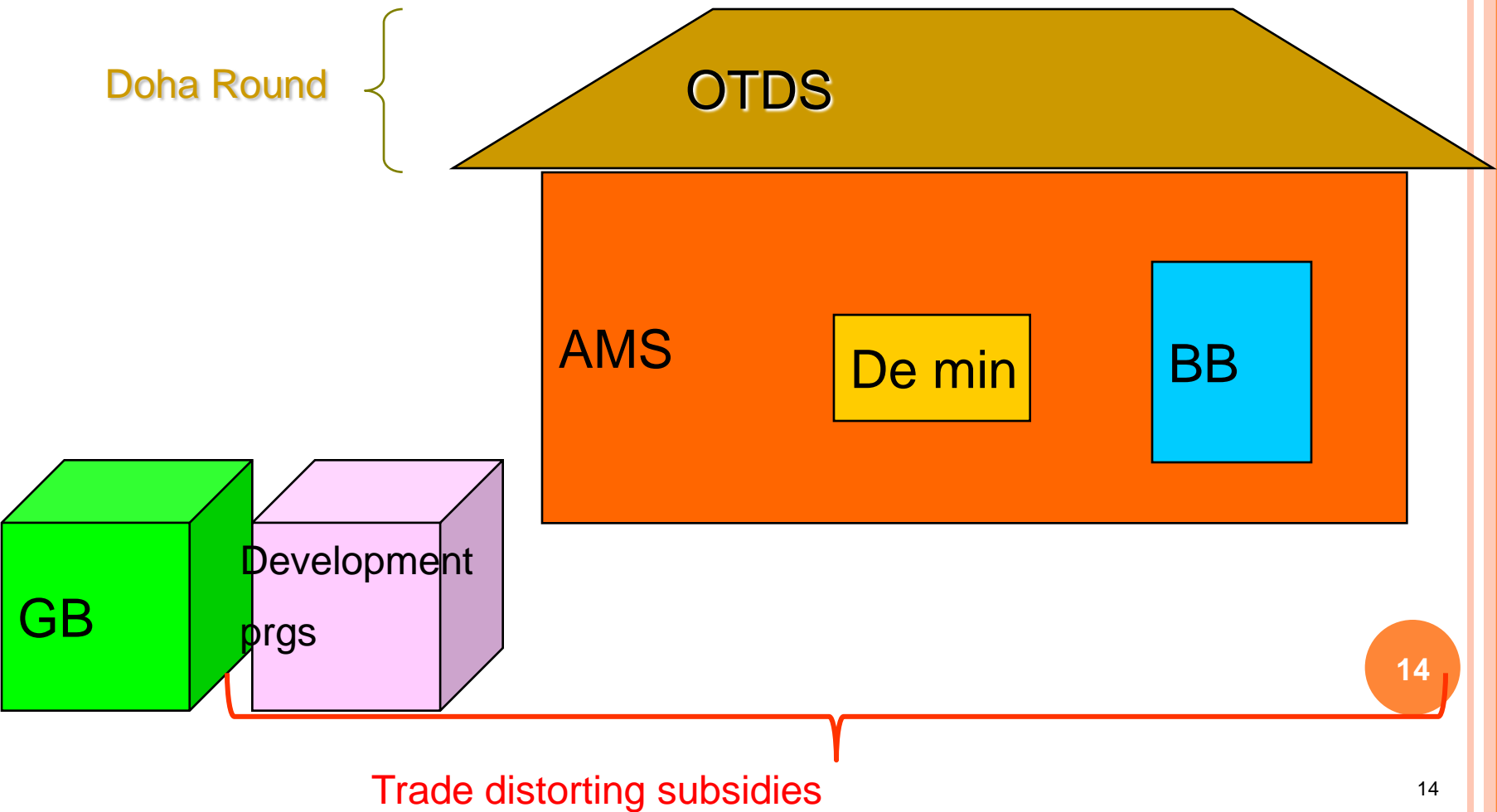


Source: FAO



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;



CALCULATION OF FINAL BOUND OTDS OF USA**(MILLION \$)**

Final Bound Total AMS specified in Part IV of a Member's Schedule; plus	19,103.29
10 per cent of the average total value of agricultural production in the 1995-2000 base period; plus	19,413.93
higher of average Blue Box payments as notified to the Committee on Agriculture, or 5 per cent of the average total value of agricultural production, in the 1995-2000 base period.	9,706.96
Final bound OTDS	48,224.19
Applicable cut	70%

Source: Calculation on the basis of USA's notification to WTO

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



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

Base data

Base data

Base data

?



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

Base data

Base data



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 2/3rds 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**

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

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)

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**

TROPICAL AND DIVERSIFICATION PRODUCTS

Where the scheduled tariff is less than or equal to 25 per cent ad valorem, it shall be reduced to **zero**. Where it is greater than 25 per cent ad valorem the applicable tariff cut shall be 85 per cent. There shall be **no sensitive product** treatment for any of the products appearing on the annexed list. The implementation of the cuts concerned shall be in four equal annual steps for all developed country Members.

Or:

Where the tariff is greater than or equal to **10 per cent**, it shall be reduced by the percentage cut specified in paragraph 61 (d) of modality, except for tariffs in the top band which shall be reduced by the tariff escalation tariff cut for that band increased by 2 ad valorem points. **Where the tariff is less than 10 per cent, it shall be reduced to zero.** The reductions concerned shall be implemented by developed country Members in accordance with the general tariff reduction implementation period. **Developing country Members declaring themselves in a position to do so are encouraged to make additional efforts on tropical products beyond what would be required under the tiered formula**



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**

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
- India sympathetic to C-4; also own interests as second largest producer & exporter of cotton
- **US has problems**

WHO WANTS WHAT? CARVE-OUT

Para	Description	USA (8)	EU (4)	Canada (1)	Switzerland (3)	Norway (3)	Japan (2)
23	Product Specific AMS Limit Related	√					
24		√	√	√	√		
25		√	√				
26		√	√		√	√	√
35	Blue Box Definition	√					
39	Overall Blue box Limit					√	
40	Product Specific Blue box Limit	√					
41		√	√				√
Annex A	Overall and Product Specific Blue Box Limit	√					
71	Sensitive Product				√	√	

**THANK
YOU**