FAQ

Frequently
Asked
Questions

Agriculture Negotiations in the WTO

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Foreword

The agriculture sector had effectively been kept out of the multilateral trading system established through the GATT in 1947. This anomaly was rectified during the Uruguay Round negotiations, culminating in the formation of WTO in 1995, when multilateral disciplines were introduced in the agricultural sector. This agreement is a significant step towards building fairer competition and distortion free regime for trade in agricultural goods. The WTO Agreement on Agriculture (AoA) seeks to improve market access and to reduce trade distorting subsidies in agriculture products. In the ongoing Doha Round of negotiations, the effort is to further liberalise agriculture trade and to further discipline the trade distortion. Agriculture negotiations are of critical importance to India as two-thirds of its population depends upon agriculture, a large number of which includes small and marginal farmers. In these negotiations, India has been arguing for the introduction of a regime which provides adequate protection to its domestic sensitivities in the agriculture sector. At the same time, India is also seeking greater market access for its products in developed countries by disciplining and capping their trade distorting subsidies.

The Centre for WTO Studies in collaboration with the Department of Commerce has brought out a Frequently Asked Questions on agricultural negotiation in WTO which attempts to explain in simple language the issues involved in the negotiations and its current state of play. I hope the information contained in this FAQ will be useful for lay readers as well as those interested in a deeper understanding of issues relating to agriculture negotiation.

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Q.1. What is the Agreement on Agriculture?

A1. The Agreement on Agriculture (AoA) came into force on 1 January 1995 and brought not only all basic agricultural products but also the products derived from them under multilateral rules and commitments. Also included are wines, spirits, tobacco products, fibres such as cotton, wool and silk and raw animal skins for leather production. Fish and fish products are not included; nor are forestry products.

The AoA prescribes rules in the areas of market access (tariffs and tariff rate quotas), domestic support (production related subsidies) and export competition (export subsidies, export credit and international food aid). These three elements are commonly referred to as the "pillars" of agricultural trade reform. The commitments of member countries in each of the three "pillars" are contained in their individual schedules. The commitments were implemented over a period of 6 years by developed countries and 10 years by developing countries starting from 1995.

Q.2. Rules for multilateral trade in agricultural products were already in place at the end of the Uruguay Round. What is the purpose of the agriculture negotiations under the Doha Round?

A.2. Negotiations in the Doha Round are aimed at establishing a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. These objectives are to be realised through substantial improvements in market access for agricultural products; reduction and eventual phasing out of all forms of export subsidies; and substantial reductions in trade-distorting domestic support.

Thus, while the AoA is the first multilateral agreement for introducing disciplines in respect of agricultural trade, the Doha negotiations are aimed at further lowering subsidies that distort agricultural markets and reducing barriers to market access.

Q.3. Does the WTO determine the customs tariffs on import of agricultural products?

A.3. Customs tariff is the duty charged on the import of any good into the domestic territory of a country. WTO Member countries are expected to "bind" their customs tariffs, in other words, they are expected to notify the ceiling rates of tariffs. The tariffs which are actually imposed by the Customs authorities on imports into a country are the applied customs tariffs. Each Member is free to set the applied customs tariffs. The only restriction is that the applied tariff of the Member on an agricultural product cannot exceed the bound customs tariff on the product.

For example, the "bound" customs duty on wheat notified to the WTO by India at the end of the Uruguay Round is 70%. Customs duty on wheat imposed by India cannot therefore be increased beyond 70%.

Q.4. Can we use non-tariff measures on imports of agricultural products?

A.4. Market access issues dealt by the AoA are limited to tariffs and tariff rate quotas. Before the Uruguay Round, some agricultural imports were governed by various forms of quotas and other non-tariff measures (NTMs). These measures have been converted into their tariff equivalents, i.e. they provide more-or-less equivalent levels of protection as did the NTMs. Conversion of the quotas and other types of NTMs into tariffs is called "tariffication". The AoA prohibits the use of non-tariff measures that are exclusively for agricultural products. It effectively means that tariffs are normally the only border protection measure allowed. However, members can resort to non-tariff measures under the balance-of-payments provisions and other non-agriculture specific provisions of GATT 1994 and other multilateral trade agreements which are applicable to general trade in goods (industrial or agricultural).

Q.5. Was India required to cut its tariffs on agricultural products as a result of the Uruguay Round of agriculture negotiations?

A.5. Uruguay Round participants agreed that developed countries would cut their committed bound tariffs by an average of 36%, in equal steps over six years. Developing countries had to reduce their bound tariffs by 24% in 10 years.

Several developing countries like India used the option of offering ceiling tariff rates rather than tariffication. India opted to do so because it was maintaining quantitative restrictions on account of Balance of Payment problems, which were eliminated in March 2001.

At the end of the Uruguay Round, India had bound its tariffs on most items, at 100% for primary products, 150% for processed products and 300% for edible oils. Bound tariffs on some products (comprising about 119 tariff lines) were lower since they were historically bound at a lower level in the earlier Rounds of multilateral trade negotiations.

Subsequently, however, negotiations were conducted under GATT Article XXVIII and the binding levels were revised upwards in December 1999 on 15 tariff lines including skimmed milk powder, spelt wheat, paddy, rice, maize, millet, sorghum, rape, colza and mustard oil, fresh grapes etc.

Q.6. How are subsidies provided to farmers of any concern to the WTO?

A6. The reason why it was considered necessary to reduce and discipline domestic support policies that support domestic prices, or subsidize production in some other way, is that they encourage over-production. This squeezes out imports or leads to export subsidies and low-priced dumping on world markets.

Q.7. Are subsidies to farmers completely prohibited under the AoA?

A.7. No. The AoA distinguishes between support programmes that stimulate production directly, and those that are considered to have no direct effect. Subsidies that are in the nature of programmes having direct effects on production and trade, referred to as the "Amber Box", have to be reduced. In the terminology used by the AoA, these subsidies are called "aggregate measurement of support" or "AMS". Developed countries were required to reduce their AMS as existing during 1986-88 (the "base period") by 20% over six years starting in 1995. Developing countries had to reduce their AMS by 13.3% spread over a 10-year period. Least-developed countries were not required to make any cuts.

Under the *de minimis* provisions of the AoA, developing countries were not required to reduce trade-distorting support if its aggregate value in a year did not exceed 10% of the total value of production of the agricultural product in question. The corresponding *de minimis* limit for developed countries was put at 5%.

Measures with minimal impact on trade can be used freely ("Green Box" measures) and include government services such as research, disease control, infrastructure and food security. They also include payments made directly to farmers that do not stimulate production, such as certain forms of direct income support, assistance to help farmers restructure agriculture, and direct payments under environmental and regional assistance programmes.

Also permitted, are certain direct payments to farmers where the farmers are required to limit production (the "Blue Box" measures) and certain government assistance programmes to encourage agricultural and rural development in developing countries.

Special and differential treatment provisions are also available for developing country members. Purchases for and sales from food security stocks at administered prices is not subject to reduction commitments provided that the subsidy to producers is included in the calculation of the Total AMS. Developing countries are permitted untargeted subsidised food distribution to meet the requirements of the urban and rural poor. Also exempt for developing countries are investment subsidies that are generally available to agriculture and agricultural input subsidies generally available to low income and resource poor farmers in these countries.

Q.8. Did India have to reduce subsidies provided to its farmers as a consequence of the Uruguay Round negotiations?

A.8. India was not required to reduce any of the subsidies given to its farmers. This is because India's total AMS was well below the ceiling prescribed in the AoA.

Moreover, developing countries have been provided three additional exemptions, namely, (1) investment subsidies which are generally available to agriculture; (2) agricultural input subsidies generally available to low-income or resource-poor producers; and (3) domestic support to producers to encourage diversification from growing illicit narcotic crops.

Q.9. Are subsidies on exports of agricultural products permitted?

A.9. The AoA prohibits export subsidies unless the subsidies are specified in a member's schedule of commitments. Where they are listed, the agreement requires WTO members to cut both the amount of money they spend on export subsidies and the quantities of exports that receive subsidies. Taking averages for 1986-90 as the base level, developed countries agreed to cut the value of export subsidies by 36% over six years and developing countries by 24% over ten years starting in 1995. Developed countries also agreed to reduce the quantities of subsidized exports by 21% over the six years (14% over 10 years for developing countries). Least-developed countries were not required to make any cuts. During the six-year implementation period, developing countries were allowed under certain conditions to use subsidies to reduce the costs of marketing and transporting for exports.

A.10. What are modalities?

A.10. Negotiating Groups have been constituted in the WTO on each aspect of the negotiations. From time to time, based on the views expressed by the WTO Members, the Chairs of these Groups bring out draft modalities containing proposals that would help realize the objectives of the negotiations. In the agriculture negotiations, the draft modalities include formulas and other methods to be used to reduce tariffs and agricultural subsidies. The Chair of the Negotiating Group on Agriculture brought out Draft Modalities on Agriculture on 17 July 2007[1]; and based on the multilateral discussions, brought out further revised draft versions on 8 February[2], 19 May[3] and 10 July 2008[4]. The revised draft text of 10 July 2008 formed the basis of discussion during the Mini-Ministerial meeting of the WTO in Geneva in July 2008. A fourth revised draft version was issued on 6 December 2008.

Q.11. Which are the main Coalition Groups in the Agriculture Negotiations? Is India a member of any coalition?

A.11. The main coalition groups in the agriculture negotiations are the G-20, the G-10, the G-33, the Cairns Group, the

[1] TN/AG/W/4 (and TN/AG/W/4/Corr.1)
[2] TN/AG/W/4/Rev.1
[3] TN/AG/W/4/Rev.2
[4] TN/AG/W/4/Rev.3

African Group, the African-Caribbean-Pacific (ACP) Group and the Cotton-4 (Benin, Burkina Faso, Chad and Mali). Other groupings include the group of small and vulnerable economies (SVEs), Least developed countries (LDCs) and the Tropical Products group. India is a member of the G-20 and G-33 coalition groups. The G-20, led by Brazil, is a coalition of developing countries pressing for ambitious reforms of agriculture in developed countries with some flexibility for developing countries. The G-33, led by Indonesia, is spearheading the developing country effort to arrive at satisfactory modalities on Special Products and the Special Safeguard Mechanism as provided for in the mandate of the Doha Round. These two measures are critical parts of the special and differential treatment provisions for developing countries.

Q.12. How will agricultural tariffs be reduced in the Doha Round?

A.12. There are two main elements in the market access modalities that are on the table: (i) Band-wise tariff reductions; and (ii) Flexibilities or deviations from the prescribed tariff reductions to be used by members (developed and developing) to address their special needs.

Tariffs are proposed to be cut according to a formula, which prescribes steeper cuts on higher tariffs. These reductions are to be made from bound rates. Developed countries would have to reduce their final bound tariffs in equal annual instalments over five years in accordance with the following formula:

Band	Cut
0-20	50%
20-50	57%
50-75	64%
75+	70%

For example, a tariff of 10% would fall in the first band above and would have to be cut by 50% to 5% by the end of 5 years.

Further, developed countries have to undertake a minimum average cut of 54% on final bound tariffs. If the overall average cut is less than 54%, then an additional effort has to be made proportionately across all bands to reach that target.

Developing countries would have to reduce their final bound tariffs in equal annual instalments over ten years in accordance with the following tiered formula:

Band	Cut
0-30	33.33%
30-80	38%
80-130	42.67%
130+	46.67%

The bands are different for developed and developing countries reflecting differences in distribution of their tariffs. The cut to be undertaken by developing countries in each band is two-thirds of the cut that developed countries have to undertake in each of their bands. The maximum overall average cut on final bound tariffs that any developing country Member would be required to undertake as a result of application of this formula, inclusive of the lower tariff cuts on Sensitive Products, is 36%. This is two-thirds of the minimum overall tariff cut of 54% to be undertaken by developed countries. If application of this methodology results in an overall average cut of more than 36%, the developing country Member would have the flexibility to apply lower cuts in a proportionate manner across the bands in order to keep within an average of 36%.

A tariff bound at 100% will be reduced to 57.33% over a period of 10 years using the tariff reduction formula. Similarly, bound tariffs of 150% and 300% will be reduced to 80% and 160% respectively at the end of 10 years.

Q.13. Will tariffs on all agricultural products be cut as a result of the Doha Round negotiations?

A.13. The mandate of the Doha Round provides for flexibilities or deviations from the prescribed tariff reductions to be used by members (both developed and developing) to address their special needs.

Q.14. Will India continue to have adequate policy space to raise tariffs on agricultural products even after the Doha Round?

A.14. The tariff cuts to be taken by developing countries would be moderated by four flexibilities that are built into the mandate of the Doha Round:

Developing countries are required to undertake no more than a maximum overall average cut of 36%. If the band-wise cuts described above lead to an overall average cut higher than 36%, they can take a lower cut proportionately across bands to keep within 36%. A simple slotting of India's tariffs into the appropriate tariff band and the applicable cut, results in an overall average cut of around 41%. So, we can scale back the cuts by the same factor in each band so that the overall average cut is no more than 36%.

Secondly, developing countries would be permitted to self-designate a certain percentage of their agricultural tariff lines as "Special Products" on which they would take lower or no cuts.

Thirdly, Members (both developed and developing) would be allowed to designate an appropriate number of tariff lines to be treated as sensitive, on which they would undertake smaller cuts. While developed countries would be required to offset the smaller cuts by tariff quotas allowing more access for imports, various options are being negotiated to allow developing countries to designate Sensitive Products without offering tariff quotas.

Finally, another flexibility, to be used exclusively by developing countries, is the "Special Safeguard Mechanism" which would allow developing countries to impose additional duties as a temporary safeguard measure to protect farmers from the adverse effects of import surges and price declines.

Q.15. How will India protect the interests of its poor and vulnerable farmers?

A.15. The Hong Kong Ministerial Declaration of December 2005 provides that developing country members would have the flexibility to self-designate an appropriate number of tariff lines as "Special Products" (SPs) guided by indicators based on the criteria of food security, livelihood security and rural development. This is a special and differential treatment provision that allows developing countries some flexibility in the tariff cuts that they are required to make on these products.

The revised draft modalities of 6 December 2008 proposes an SP entitlement of 12% of agricultural tariff lines taking an average tariff cut of 11%, including 5% of total tariff lines at zero cuts.[5]

The draft modalities on SPs that are currently on the table are the outcome of a very long and intensive process of negotiation since early 2007. Persistent efforts made, in particular, by the G-33 countries, to adhere to the development mandate of the Doha Round have thus yielded results. For instance, in 2006 the US had said that "no more than 5 tariff lines at detailed duty level" should be designated as Sps.

Q.16. Will the list of products to be designated as SPs be decided in the negotiations?

A.16. No, Special Products will be *self-designated,* that is, once the modalities are finalised, the developing country Member will decide which of its products it wants to designate as SPs. Once this is decided, the list would be notified to the WTO as part of the Member's schedule of commitments under the Doha Round.

In India's case, the list of SPs would be decided by the Ministry of Agriculture and Cooperation, the Ministry of Food Processing Industries, the Department of Commerce and other agencies concerned in consultation with State Governments.

[5] This implies a 19% cut on non-zero cut SPs

Q.17. Will developed countries be allowed to shield some of their agricultural products from full tariff cuts?

A.17. Members (both developed and developing) may designate an appropriate number of tariff lines to be treated as sensitive, on which they would undertake lower tariff cuts. Even for these products, however, there has to be "substantial improvement" in market access, and so the smaller cuts would have to be offset by tariff rate quotas, thus improving the possibilities of market access. According to the draft modalities of 6 December 2008, developed countries can designate 4% of tariff lines as sensitive products; for members with more than 30% of their tariff lines in the top tariff band (75+band), a higher entitlement of 6% is proposed.

Developing countries can designate one-third more (5.3% or 8%) of products, as Sensitive Products.

Almost 35% of India's agriculture tariff lines are in the top band of 130+ and therefore, the sensitive product entitlement would be 8%. In other words, India would have the flexibility to take lower cuts than would otherwise be required under the tariff reduction formula on 8% lines, using one of the options for developing countries that do not require provision of access through tariff quotas.

Q.18. Would developing countries also be required to provide tariff rate quota access to compensate for the lower cuts on their Sensitive Products?

A.18. For developing countries the quota expansion is two-thirds of the amounts for developed countries, and domestic consumption does not include subsistence farmers' consumption of their own produce.

Instead of offering tariff rate quotas, developing country Members can take the full formula cuts on all their

Sensitive Products but over an implementation period three years longer than normal;

Or

they could take lower cuts on part of their Sensitive Product entitlement over a shorter implementation period as under:

Deviation From Formula Cut	Percentage of Sensitive Product Entitlement	Implementation Period
1/3rd	50%	3 years
1/2	1/3rd	2 years
2/3rd	1/4th	1 year

The larger the deviation from the formula cut, the fewer the proportion of Sensitive Products on which the lower cuts could be applied and the shorter the implementation period.

Q.19. Did India use the special safeguard provisions available in the Agreement on Agriculture? Will developing countries have recourse to any emergency safeguard measures in the Doha Round?

A.19. The AoA allowed Members to take special emergency actions ("special safeguards" by way of imposition of an additional tariff) in the case of products whose non-tariff restrictions were converted to tariffs, in order to prevent swiftly falling prices or surges in imports from hurting their farmers. The right to do so was reserved by 38 members and for a limited number of products in each case. India was not entitled to do so because it exercised the option of binding its tariffs instead of "tariffication" of quantitative restrictions (on account of balance of payments problems).

However, India can take safeguard action under the WTO Agreement on Safeguards if there is a surge in imports causing serious injury or if there is a threat of serious injury to the domestic producers. But in this case, the injury and its cause would have to be established prior to the imposition of safeguard duties.

In the Doha Round India would have recourse to the Special Safeguard Mechanism (SSM). This is a part of the mandate of the Doha Round. The Hong Kong Ministerial Declaration of 2005 said that developing countries would "have the right to have recourse to a Special Safeguard Mechanism based on import quantity and price triggers, with precise arrangements to be further defined".

Q.20. Will Members continue to have recourse to the Special Safeguard (SSG) after the Doha Round?

A.20. In the Doha Round, the debate has been about whether to eliminate the SSG, or reduce the number of products for which it can be invoked and to constrain it. The G-20 has always maintained that this is a transitional instrument and should be eliminated at the earliest. The EC, Switzerland, Japan and Norway want the SSG to continue.

The Chair's 6 December 2008 text proposed that on the first day of implementation, developed country Members would reduce the number of lines eligible for the SSG to 1% of scheduled tariff lines and eliminate the SSG no later by the end of the seventh year of implementation.

For developing country Members the SSG coverage would be reduced to no more than 2.5% of tariff lines on the first day of implementation. For Small and

Vulnerable Economies (SVEs) the SSG coverage shall be reduced to no more than 5 per cent of lines over 12 years.

Q.21. How will the SSM work? Will it work the same way as the special safeguard provisions in the AoA?

A.21. The safeguard duties under the SSM would be triggered by either an import quantity trigger or price trigger. The import quantity trigger is a threshold level of imports. Crossing the threshold enables recourse to a remedy, namely, temporary levy of a safeguard duty over and above the normal customs tariff.

Similarly, the price trigger is a threshold level of price of imports. If the import price falls below this threshold then the SSM can be invoked and a safeguard duty over and above the normal customs tariff can be temporarily levied. The trigger for invoking the SSM determines when the safeguard duty can be imposed. If the import quantity trigger is set too high, the SSM loses all efficacy because it can then only be used in the most exceptional circumstances. The same holds true if the price trigger is set too low.

In the revised draft modalities of 10 July 2008 the volume triggers ranged from 110% to over 135%.

VolumeTrigger	Remedy (Maximum additional duty on applied tariffs)
110-115	25% of Doha Round (DR) bound or 25% whichever is higher
115-135	40% of DR bound or 40% whichever is higher
>135	50% of DR bound or 50% whichever is higher

To determine whether there is an import surge in any given year, first, the average of imports in the preceding three years would be calculated. If the volume of imports during the year in question is more than 110% of but less than 115% of the 3-year average, then an additional duty could be applied which would be either 25% of the Doha Round bound rate for that year or a flat additional 25%, whichever is higher. Similarly, remedies are proposed for import triggers falling in the other two bands in the table above.

The total duties, including the safeguard duties, cannot, however, breach the Uruguay Round bound rates except for 2-6 products and even for these the increase over the UR bound rates could not exceed the higher of : (i) 15% of the bound tariff rate for the year in question or (ii) a flat additional 15%.

The price trigger threshold proposed in the 10 July 2008 text is 85%, that is, the SSM can be invoked if the import price falls by 15% from a specified threshold level.

Q.22. Why did the SSM become such a contentious issue during the mini-Ministerial meeting of the WTO in July 2008?

A.22. The specific issue on which there was much debate during the mini-Ministerial meeting in July 2008 was the triggers and remedies for breaching the UR bound rates.

The 10 July 2008 text which formed the basis of discussion during the mini-Ministerial (together with a set of proposals circulated by the Director General, WTO on 25 July) implicitly proposed the same set of triggers and remedies for the category of products on which total duties would lead to breaching the UR bound rates. In contrast to this, the US proposed a single minimum volume trigger of 140%, i.e. 40% higher imports than the normal level before the remedy became available, if UR bound rates were to be breached. India objected to the US proposal, as it would have rendered the SSM virtually inoperable. Apart from India's partners in the G-33, the high trigger proposed by the US was also opposed by countries of the Africa Group, the African-Caribbean-Pacific Group and the Small, Vulnerable Economies Group in the course of a joint meeting on 27 July, 2008. This was not 'only an India' issue; it was approved by close to 100 countries.

Alternative proposals were also considered during the discussions. However, all attempts to find a solution that took the concerns of both the US and the developing countries on board, failed and the Ministerial talks had to be halted.

Q.23. Have solutions been found to the SSM issues that became contentious during the July mini-Ministerial meeting?

A.23. Negotiations on these issues began first informally in September 2008 and then in the WTO's Agriculture Negotiating Group from October 2008. This continued till early December but solutions continued to elude the negotiators.

In the 6 December 2008 version of the draft modalities, the Chair has left the section on SSM untouched. However, he has given his suggestions for a possible solution to the above UR bound problem in a separate paper (TN/AG/W/7) also brought out on 6 December 2008.

These are yet to be discussed in the multilateral forum.

Q.24. Some countries like Japan impose very high tariffs on their agricultural imports. For example Japan's duty on rice exceeds 700%. Will they be able to continue using such high tariffs at the end of the Doha Round?

A.24. This has been a contentious issue right from the stage of adoption of the Doha Work Programme in August 2004, which only said that "the role of a tariff cap in a tiered formula with distinct treatment for sensitive products will be further evaluated."

Tariff capping has been one of the demands of the G-20 because the mere application of the tiered tariff reduction formula will not bring down prohibitively high tariffs imposed by some countries, particularly some of those belonging to the G-10 group of countries. Tariff capping would necessarily bring down their very high tariffs in agriculture, over and above what is required by the tiered formula.

This has generally been a weak area in the various versions of the draft modalities brought out by the Agriculture Negotiating Group Chair. The 6 December 2008 text proposes that only products designated as Sensitive could be retained at tariffs above 100% after the formula tariff cuts.

A proposal in square brackets (that is, not yet agreed upon by all WTO Members) is to allow Iceland, Japan, Norway and Switzerland an additional entitlement of upto 1% of their non-sensitive tariff lines in excess of 100% *ad valorem* subject to additional market access or faster or deeper tariff cuts.

Q.25. What is meant by Tariff Simplification?

A.25. Tariffs are of various kinds 'ad valorem', that is, a simple percentage of the value of imports or 'specific', that is, in terms of rupees or dollars or euros or any other currency per unit (such as tonne or litre or kg); others are more complex for instance the tariff could be a combination of ad valorem and specific duties ('compound'). However, all these different forms of tariffs have to be converted into ad valorem form if they are to be reduced according to the tiered tariff reduction formula. Without doing so it would not be possible to put products into the right tariff bands.

Many developed countries use non-ad valorem (NAV) tariffs on their agricultural imports. Developing countries, on the other hand, rely predominantly on ad valorem duties. For instance, only two of India's agricultural tariff lines - shelled and in-shell almonds - have duties expressed in specific form. The G-20 has long insisted on complete tariff simplification as these NAV duties act as an additional layer of non-transparent protection. Moreover, as these are used mainly by developed countries, they act as a barrier to market access for developing country exports.

The 6 December 2008 version of the Chair's draft modalities contains two options:

(i) 100% conversion Or (ii) No less than 90% to be converted. As regards the residual unconverted tariff lines, a review is to be undertaken by each Member and the Member is to decide no later than one year after the end of the implementation period on how to thereafter achieve 100% *ad valorem* coverage. A special carve-out has been proposed for the European Communities, which are the most vocal on this issue: they need to convert only 85% and, within the residual 15% percent that is not converted, up to 5% may be retained as compound or mixed tariffs.

Q.26. What does the term "Overall Trade-distorting Domestic Support" mean?

A.26. The Overall Trade-distorting Domestic Support refers to the sum of the following:

(i) Final Bound Total AMS;

(ii) 10 per cent of the average total value of agricultural production during 1995-2000 for the developed countries (this being composed of 5 per cent of the average total value of production for product-specific and non-product-specific AMS respectively), *de minimis* and Blue Box support; and

the 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, during the 1995-2000 period.

In the Doha Round, all developed countries will have to substantially reduce trade-distorting support and those with higher levels of support have to make deeper cuts from the "bound" or ceiling levels. This includes reductions both in overall current bound levels and separately in Amber Box and *de minimis* support. Blue Box support will also be capped. If after taking cuts in individual components, the overall support exceeds the ceiling, then additional cuts will have to be made in the individual components.

Q.27. By how much will OTDS be reduced in the Doha Round?

A.27. The 6 December 2008 draft modalities text proposes a tiered formula for reduction of OTDS and also suggests a range of cuts in each tier as indicated below. *These reductions are to be made in six equal steps over a period of five years.*

OTDS	Cuts	Implication
More than US$ 60 billion	80%	EC to cut to € 22 billion
More than US$10 billion and less than or equal to US$ 60 billion	70%	US to cut to $14.5 billion
US$ 10 billion or less	55%	All the rest

Developing countries with commitments to reduce Aggregate Measurement Support (AMS) under the Uruguay Round, have to take two-thirds of the reductions in OTDS proposed for developed countries *in nine equal steps over a period of eight years.* Developing countries, like India, with no AMS commitments will be exempt from any commitments.

A 70% cut brings US OTDS to about US $ 14.5 billion. However, this is still well above their estimated applied level of US$ 7 billion in 2007.

Q.28. By how much will Amber Box support be reduced?

A.28. The Amber Box support or Aggregate Measurement of Support (AMS) also has to be reduced according to a tiered formula. *The reductions to be undertaken by developed countries are as indicated below:*

AMS	Cuts	Implication
More than US$ 40 billion	70%	EC to cut to € 20.15 billion
More than US$15 billion and less than or equal to US$ 40 billion	60%	US to cut to $7.6 billion
Less than or equal to US$ 15 billion	45%	All the rest

These reductions are to be made in six equal steps over a period of five years. Developing country Members would be required to undertake two-thirds of the cuts, in nine equal instalments over a period of eight years. However, developing country Members with Final Bound Total AMS levels at or below US$ 100 million would not be required to undertake reductions.

Q.29. Apart from caps on the overall trade-distorting support, are caps proposed on the support for individual products as well?

A.29. Yes, this Round also seeks to place limits on subsidies at the level of products, in order to avoid shifting support between different products. For countries other than the US, the ceiling or maximum level would be the average support actually provided during the Uruguay Round implementation period (1995-2000). The calculation for the US would be based on total Amber Box support for specific products per year for that period but shared among products according to the average share over the years 1995-2004. Another special dispensation, implicitly for the US, is that they can begin with a cap that is 30% higher than the scheduled limits.

Q.30. Will the *de minimis* levels of support permissible also be reduced in this Round? Will this lead to India having to reduce any of its subsidies for its farmers?

A.30. *De minimis* support also has to be reduced in the Doha Round, with special treatment for developing countries. Developed countries are to cut by 50% from day one (i.e. cap at 2.5% of the value of production, from the current 5%). Developing countries with Amber Box commitments are required to cut *de minimis* by two-thirds of the developed country cuts (from the current 10% of the value of production, i.e., ending up with about 6.7% of the value of production). Developing countries, like India, with no AMS commitments will not be required to cut *de minimis* support.

Q.31. Are disciplines proposed for the Blue Box category of support also?

A.31. Blue Box subsidies, which are currently unlimited, are to be capped at 2.5% of the value of agricultural production of a developed country during 1995-2000 and 5% of the value of agricultural production in a developing country during 1995-2004. While the general limit for developed countries is the average spent in 1995-2000, with adjustments if there are gaps in spending in some years, for the US, the limits are 10% or 20% more than estimates of maximums under the 2002 Farm Bill. More is also allowed for some countries (such as Norway) that now use a lot of Blue Box support as they reform their support by shifting away from the more distorting Amber Box.

The AOA at present provides for only one type of Blue Box support, that is, for direct payments to farmers based on the number of animals they have or the area planted, but with production limits so that over-production is curbed. The AoA would be amended to add a new type of Blue Box based on payments that do not require production but are based on a fixed amount of production in the past. A country would have to decide which type of Blue Box to use. It would normally only use one type for all products.

Various provisions deal with a range of situations, including the possibility of going above Blue Box limits per product if an equivalent reduction is made in the Amber Box limits for that product, and for enabling Blue Box payments on products that did not previously receive them.

Q.32. What is India's reaction to the special dispensations proposed for the US in the draft modalities for reducing domestic support?

A.32. India along with some other G-20 members has consistently opposed the special dispensations proposed for the US.

Q.33. What about disciplines on the non-trade distorting or Green Box support measures?

A.33. The Doha Round mandate envisaged a review of the criteria for defining support as "Green Box" support and to allow effective coverage of programmes of developing countries that cause no more than minimal trade-distortion. The draft modalities include proposals to tighten criteria for developed countries and possible revision of conditions for developing countries' food stockpiling purchases from low-income farmers or those with few resources, at prices that are higher than the market.

Q.34. Will the Doha Round lead to a reduction in the huge subsidies provided by the US to its cotton farmers?

A.34. The main proponents of the sectoral initiative on cotton are the Cotton-4 countries of Africa (Benin, Burkina Faso, Chad and Mali). According to the current draft modalities, trade-distorting domestic support for cotton would be cut by more than for the rest of the sector. The text includes a formula reflecting this, based on a formula proposed by the Cotton Four in 2006. This formula implies that the US would take an 82.2% cut in AMS support for cotton (with a 60% AMS cut according to the AMS tiered reduction formula).

There has been very little progress on this in multilateral discussions. It is understood that bilateral discussions are taking place between the US and the Cotton-4 to which the rest of the membership is not privy.

Q.35. What are the Doha Round proposals on Export Subsidies?

A.35. According to the Doha mandate, all forms of export subsidies were to be eliminated by an agreed end date. The negotiated date was to mark the end of all scheduled export subsidies, all export credits, export credit guarantees or insurance programmes with repayment periods beyond 180 days; and those with shorter repayment periods but failing to conform with disciplines to be negotiated.

Also to be eliminated are trade distorting practices of state trading enterprises that are considered to be subsidised and food aid that did not conform with various disciplines also to be negotiated.

Export subsidies of the kind listed in the AoA, which attract reduction commitments, are not extended in India. Also, developing countries are free to provide certain subsidies, such as subsidising of export marketing costs, internal and international transport and freight charges etc. According to the current proposals, the availability of this provision is to be extended till 2021 i.e. 5 years beyond the year 2016 when developing countries would be required to phase out all other forms of export subsidies.

Useful Web Links

- www.commerce.nic.in
- www.wto.org
- www.unctad.org
- www.worldbank.org
- www.wipo.int
- www.fao.org
- www.unescap.org
- www.artnetontrade.org

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The Centre for WTO Studies has been functioning since November 2002 at the Indian Institute of Foreign Trade. The major objective of the Centre is to provide research and analytical support to the Department of Commerce on identified issues relating to the World Trade Organisation.

The Centre has recently undergone considerable strengthening. It has now a wider mandate and is tasked to carryout research activities, bring out newsletters on WTO related subjects, organise outreach and capacity building programmes through seminars, workshops, subject-specific meetings etc. and to be a repository of important WTO documents in its Trade Resource Centre. An Advisory Committee has been constituted to guide the work of the Centre.

The Centre is currently engaged in research activities on following WTO related subjects:

- **Agriculture**
- **Intellectual Property Rights**
- **Agreement on Sanitary and Phytosanitary Measures**
- **Agreement on Technical Barriers to Trade**
- **Trade Facilitation**
- **Technology Transfer**
- **Issues relating to Environment and Trade**
- **Labour Issues**

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