A sector-perspective: Agriculture in the WTO

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Why do we have an Agreement on Agriculture?

- Special role of the sector
- History of distortions in agriculture sector
- Sequence of negotiations on NTBs
Agriculture negotiations – Timeline

- 2000 Agriculture talks start – Built-in Agenda (Art 20 of the AoA)
- 2001 Doha Negotiations launched (DDA)
- March 2003 - Modalities deadline missed
- 2003 Cancún Ministerial – failure to conclude modalities
- 2004 “July Framework”
- 2005 Hong Kong Ministerial
- July 2006 – draft modalities (W/3) – negotiations suspended
- Late 2006 – “Quiet diplomacy”
- Early 2007 – Resumption of negotiations
- Aug 2007 – revised draft modalities (W/4)
- Fall 2007 – intensive negotiations
- Feb - May 2008 - revised draft modalities - W/4/Rev.1, Rev.2 & Rev.3
- July 2008 – failure to conclude modalities
- Dec 2008 – W/4/Rev.4 draft modalities
- 2009-2010 – Data, templates, clarification
- 2011
Doha negotiations mandate

Comprehensive negotiations aimed at:

- Substantial improvements in market access
- Reductions of, with a view to phasing out, all forms of export subsidies
- Substantial reductions in trade-distorting domestic support
- S&D - integral to all elements of the negotiations
- Non-trade concerns to be taken into account
What is at stake?

- Tariff reductions – continued reform process with a high level of ambition.
- Improved possibility for developing countries to increase trade with developed countries but also other developing countries.
- Flexibility for developing countries to protect their sensitive sectors.
- Reduction of trade-distorting domestic support and elimination of export subsidies for improved competition, both on domestic and international markets.
- No new concessions for LDCs but duty- and quota-free access for 97 percent of tariff lines.
Preamble of the AoA

- "A basis for initiating a process of reform of trade in agriculture".
- "To establish a fair and market-oriented agricultural trading system".
- "Long-term objective is to provide for substantial progressive reductions in agricultural support and protection sustained".
- "Committed to achieving specific binding commitments: market access; domestic support; export competition; and to reaching an agreement on sanitary and phytosanitary issues".
The three “Pillars”
Why three “Pillars”? A desire to increase production and protect domestic producers means that the reform process needs to focus on three different, but linked, agricultural policies.
Domestic Support
Use of production linked payments to encourage producers to produce more while maintaining high internal prices

Market Access
Use of market access barriers (e.g. tariffs, import restrictions) to protect domestic producers from competition

Export Subsidies
Due to rising production & need to keep internal price above a predetermined level, export subsidies used to promote export of surplus production requirements.
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Other rules: S&D, Peace Clause (now expired), NFIDC Decision etc.
Market Access
Market Access

- Pre - Uruguay Round - wide range of non-tariff measures making market access unpredictable, non-transparent and in many cases, prohibited. Non-Tariff Measures include:
  - Quantitative Restrictions
  - Variable Import Levies
  - Minimum Import Prices
  - Discretionary Import Licensing
  - Voluntary Import Restraints

- The Uruguay Round - a change to a “tariff only” trading regime

- Need to establish a tariff equivalent of the NTM – “Tariffication”
Market Access - Converting QRs into tariffs

- Exception – Annex 5, “special treatment”
- Concept of “bound” tariffs and the creation of tariff quotas
- Option of ceiling bindings for DgC
- Article 4.2 – why is it important?
Mark Market Access

- Article 4.2 of the AoA:

  "Members shall not maintain, resort to, or revert to any measures of the kind which have been required to be converted into ordinary customs duties."

- All Tariffs to be "Bound" and Reduced

- "Ceiling Bindings"

- One exception – Annex 5, Special Treatment, allowed for the continuation of a quantitative restriction if various conditions met – very limited use
Special safeguard – Article 5

Additional temporary import duty on over-quota imports, if:

- Product was “tariffed”
- “SSG” is listed in Schedule against product
- Import volume above trigger or import price below trigger
- 35 members have the right to use SSG
Domestic support
Domestic support – conceptual framework

- Creation of different types of support depending on their trade-distorting nature
- Establishment of two categories of support:
  i. exempt from reduction commitments;
  ii. non-exempt from reduction commitments
- Combination of rule-based commitments and reduction commitments
Categories of domestic support

Exempt from Reduction

- No/minimal effects on trade or production
  - Green Box (unlimited)

- Development programmes
  - Article 6.2 (unlimited)

- Production limiting programmes
  - Blue Box (unlimited)

- All other support
  - Amber Box (limited)
  - Article 6.4

Subject to reduction commitments unless *de minimis*
Domestic support

- Fundamental change in the treatment of Domestic Support – two categories
  - Distorting – “Blue and Amber Boxes”
  - Non-distorting – “Green Box”

- Establishment of disciplines

- Reduction commitments

- Changes in design of agricultural policies towards less trade-distorting measures, including “decoupling”
The Green Box

- Policies with no, or at most minimal, trade-distorting effects or effects on production,

- Green Box can be freely used as long as measures meet criteria in Annex 2 of the AoA,

- Examples: general services (e.g. research, pest & disease control, stockholding for food security) and direct payments (e.g. decoupled income support, relief from natural disasters),
Payments under production-limiting programmes **exempt from reduction** commitments 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 – Development Programmes

- investment subsidies generally available to agriculture
- input subsidies generally available to low-income or resource poor producers
- support to encourage diversification from growing illicit narcotic crops
- excluded from the Amber Box
“In accordance with the Mid-Term Review Agreement that government measures of assistance, whether direct or indirect, to encourage agricultural and rural development are an integral part of the development programs of developing countries, investment subsidies which are generally available to agriculture in developing country Members and agricultural input subsidies generally available to low-income or resource-poor producers in developing country Members shall be exempt from domestic support reduction commitments that would otherwise be applicable to such measures, as shall domestic support to producers in developing country Members to encourage diversification from growing illicit narcotic crops. Domestic support meeting the criteria of this paragraph shall not be required to be included in a Member’s calculation of its Current Total AMS.”
The Amber Box
Aggregate Measurement of support (AMS)

Any form of domestic support not included in either:
- the Green
- or Blue Boxes
- or under Article 6.2

Product-specific support

Non-product-specific support

Current Total AMS

De minimis allowance
Export competition
Export competition

- Fundamental change in the treatment of export subsidies for agricultural products
- Establishment of disciplines
- Reduction commitments
- Anti-Circumvention provisions
- Export prohibitions and restrictions
Export subsidies

**Definition**

Article 1(e): Subsidies contingent upon export performance, including the export subsidies listed in Article 9

**Legal Framework**

General prohibition except:

- If listed in a Member’s Schedule – subject to reduction commitments (volume and budgetary outlays)
- S&D: Article 9.4 - subsidies for marketing and internal transport (during the implementation period)
Export subsidies
Article 10 to Prevent Circumvention of Export Subsidy Commitments

- Concerns about circumventing XS commitments
- Export credit guarantees or insurance programmes
- Development of internationally agreed disciplines – but no agreement – OECD Arrangement on Officially Supported Export Credits does not cover agriculture
- Food aid
- Specific criteria, Food Aid Convention, FAO
- BUT... is it always genuine aid or dumping
Export subsidy use
Doha agricultural negotiations

The mandate:

- substantial improvements in **market access**
- reductions of, with a view to phasing out, all forms of **export subsidies**
- substantial reductions in **trade-distorting domestic support**
- **S&D** – integral to negotiations & outcome
- **Non-trade concerns** to be taken into account
Why is it so complicated?
Thank You!

Questions?

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