Doha Round Negotiations: Agriculture

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November 2003

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Abstract
This study examines the Agreement on Agriculture under WTO, issues arising out of its implementation, the process of Doha Round of mandated negotiations, various country/group positions, developing country perspectives and provides suggestions for future negotiations. The Uruguay Round Agreement on Agriculture has not achieved the extent of liberalization it was supposed to. The heavily subsidized agriculture sectors of most developed countries tend to distort world agricultural trade patterns and adversely affect the developing countries. The Doha Ministerial Declaration had set up guidelines and deadlines for formalizing modalities for the process of negotiations, none of which were met. The last phase of the current negotiations culminated into the Fifth Ministerial Meeting held at Cancun in September 2003, which ended without a Ministerial Declaration. The widely divergent country positions on Agriculture are considered as one of the reasons for the failure of the Fifth Ministerial.

Given the set back at Cancun and the need to make progress on trade liberalization, any prescriptions for further negotiations requires a significant analysis of the positions of different countries/groups. Our analysis shows the support levels to agriculture remains very high in the developed countries and these support levels are distorting world agricultural markets for major commodities. This sets in a chain of adverse effects on the agricultural sector and in turn on the livelihood of a large number of farmers in the developing countries. Continuation of current agricultural policies of the developed countries, therefore, could disturb the political and social equilibrium in the developing countries. There is an urgent need to establish a level playing field through reductions in agricultural support levels in the developed countries in order to ensure realization of benefits of trade liberalization to farmers of the developing countries. For this purpose, a definite time frame needs to be established for effecting major policy reforms to reduce the agricultural support levels. Elimination of export subsidies and blue box support, substantial reduction in amber box subsidies and limiting green box subsidies within the next five years will enable achieving level playing field and encourage developing countries to effectively engage in the ongoing negotiations.

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EXECUTIVE SUMARY

The Agreement on Agriculture (AoA), which came into effect in January 1995 under the auspices of the World Trade Organization, primarily aims at correcting the loopholes that existed in the previous rounds of GATT, which allowed distortions in the international trade of agriculture commodities and products, and at improving the predictability of trade through gradual reduction in support, restrictions and tariff levels. However, the Uruguay Round Agreement on Agriculture has not achieved the extent of liberalization it was supposed to.

The AoA is one the areas of the WTO where negotiations for further liberalization are mandated in the Agreement itself, under Article 20. Based on this, the negotiations started in the year 2000 and the talks were meant to culminate in further reductions of tariffs and in a phasing out of agricultural subsidies at the Cancun Ministerial in Mexico in September 2003. There have been three distinct phases in this process, with the first marked by submission of country proposals, delineating their positions and the commitments they were seeking and willing to make. The very complex and divergent country positions have led to very protracted negotiations right from the beginning of the first phase. The Fourth Ministerial of the WTO took place at Doha in November 2001, during the second phase. The Doha Ministerial Declaration set up guidelines and deadlines for formalizing modalities for the process of negotiations, none of which were met. The last phase of the current negotiations began in March 2002, to culminate into the Fifth Ministerial Meeting, preceded by a March 2003 deadline of establishing modalities of further negotiations. The stringent and widely divergent country positions led to the Fifth Ministerial at Cancun, Mexico in Septembe 2003 ending without a Ministeria Declaration. The Agreement on Agricultur was one of the key issues that led to thi stalemate.

The experience with the Uruguay Roun AoA has not been encouraging. The benefit estimated from the process of liberalizatio and removal of distortions has not accrued particularly to the developing countries. Th share of developing country exports i global agricultural trade increased onl slightly over the period 1990-99, from 40. percent to 43 percent. The levels of tariff and tariff peaks remain high in th agricultural sector as a whole, and mor significantly, are highest on some sensitiv products that are of particular interest to th developing country exports. The practice o dirty tariffication has further dampened th effects of tariff-reduction processes. The levels of trade distorting domestic subsidies have not shown any significant decline over the implementation period, and in fact have actually grown for some products. Production-linked support is still dominant in the OECD countries. Support to farmers (PSE) in OECD countries reached USD 235 billion (EUR 249 million) in 2002. Similarly, though export subsidies have been reducing over this period, they still remain significant.

The heavily subsidized agriculture sectors of most developed countries tend to distort world agricultural trade patterns and adversely affect the developing countries. High levels of domestic support and also the continuing export subsidies have aided these countries to achieve dominant positions in world production and exports by effectively protecting the domestic market from the

efficient producers of other regions and countries. The developed countries have been providing export subsidies to dump these surpluses in the world market ruining the ability of the efficient producers of developing countries to compete in other markets. Various studies have estimated the rise in commodity prices in scenarios of agricultural market liberalization. The Economic Research Service (ERS) at the U.S. Department of Agriculture has reported (2001) that the full elimination of global agricultural policy distortions would result in an annual world welfare gain of US$56 billion. More importantly, elimination of agricultural trade and domestic policy distortions could raise world agricultural prices by about 12 percent. These estimated increases, when projected on the price data for India and the world, illustrates the potential gains that India is likely to make. Developing countries and the agricultural market in general stand to amass major benefits of reducing and eliminating subsidies and domestic support. However, recent policy initiatives in the US and EU in the nature of the US Farm Bill 2002 and the CAP Reforms have not show much promise in reversing this protectionist trend.

Given the set back at Cancun, in terms of the lack of any movement forward, it becomes vital for all Members to engage in meaningful dialogue, which would lead to meaningful commitments to reducing the distortions that persist in agricultural trade. The Doha Development Round is an opportunity to make the agricultural trade fair and freer. Only free and fair trade can help developing countries to facilitate their farmers to earn their livelihood. If this were not achieved, the developing countries would start suspecting the spirit of multilateral agreements, and may not be willing to participate in them in the future. Such a situation would have social, economic and political implications for both the developing and developed countries.

A period of five years from 2005 should be declared as 'Balancing Period'. During this period, necessary measures should be taken to prepare a level playing field for international trade of agricultural sector. This period would be available to developed countries to reduce substantially or eliminate support levels. In this period, all export subsidies, blue and amber box subsidies should be phased out by developed countries, and level of green box subsidies should be bound at at-most 5 percent of the value of the agricultural production. The commodities that are supported by either amber, blue box measures or export subsidies should not be allowed to be exported by the developed countries. Tariff peaks and tariff rate quotas in the developed countries should be eliminated within these five years. During the 'Balancing Period' no new commitments are to be made by the developing countries. Special and Differential treatment in terms of Green Box measures should be allowed for developing countries. Special Safeguard Mechanism to be provided to the developing countries to bring in stability to their agricultural sector.

I. INTRODUCTION

Background Of The Agreement On Agriculture

The Agreement on Agriculture, which came into effect in January 1995 under the auspices of the World Trade Organization, primarily aims at correcting the loopholes that existed in the previous rounds of GATT, which allowed distortions in the international trade of agriculture commodities and products, and at improving the predictability of trade through gradual reduction in support, restrictions and tariff levels. The Agreement was to be implemented over the next six years by the developed countries and over the next 10 years by the developing countries. The least developed countries did not have to make commitments to reduce tariffs or subsidies.

The Agreement on Agriculture requires countries to reform their trade policies of the sector to make them more market-oriented so as to improve predictability and security for importing and exporting countries alike. The agreement does allow governments to provide support to their rural economies to a limited extent, and preferably through policies that cause minimal trade distortion. It also allows some flexibility in the way commitments are implemented. Developing countries do not have to cut their subsidies or lower their tariffs to the extent of developed countries, and the former are given extra time to complete their obligations. Special provisions deal with the interests of countries that rely on imports for their food supplies, and the least developed economies. "Peace" provisions within the agreement aim to reduce the likelihood of disputes or challenges on agricultural subsidies over a period of nine years (i.e. the "Peace Clause" terminates at the end of 2003). The new rules and commitments applied to three basic aspects of agriculture trade: market access (various trade restrictions confronting imports), domestic support (subsidies and other programmes, including those that raise or guarantee farm-gate prices and farmers' incomes) and export subsidies and other measures that make exports artificially competitive.

On market access, the agreement emphasizes 'tariffication' of all non-tariff measures, such as quantitative restrictions, in a way that provided almost the same level of protection as before, and then subsequently, reducing the resulting tariffs. The base level for tariff cuts was the bound rate set before January 1, 1995; or, for unbound tariffs, the actual rate charged in September 1986 when the Uruguay Round began. Tariff quotas were also established, whereby certain commodities could be exported at much lower tariff rates for specified quantities, and at much higher rates of tariff for quantities that exceeded the quota. Further, it was agreed that developed countries would cut the tariffs (out-of-quota rates in case of tariff quotas) by an average of 36 percent, in equal steps, over a period of 6 years, and developing countries would make similar cuts but to the tune of 24 percent, over a period of 10 years.

With regard to the domestic support measures, the Agreement aimed at disciplining trade-distorting support to farmers by way of quantification of domestic support, i.e. the Aggregate Measurement of Support (AMS) and then by its progressive reduction. As per the Agreement, the sum of all domestic

supports provided in favour of agricultural producers with the exception of measures that have been exempted from reduction (Green Box), is to be reduced if the support provided in the base period of 1986 through 1988 is over and above the *de minimis* level fixed for different category of countries. AMS consists of product specific and non-product specific supports. Under the *de minimis* rule, developed countries are exempted from reducing product-specific support that does not exceed 5 percent of the total value of production of a product (10 percent for developing countries) and non-product specific support that does not exceed 5 percent (10 percent for developing countries) of the total value of total agricultural output. Developed countries were to reduce the total AMS (Amber Box) by 20 percent over six years and developing countries by 13 percent over a ten-year period, from the base period 1986-1988. Apart from the Green Box measures (which include research, disease control, food security etc.), also permitted (i.e. not subject to reductions) are the Blue Box measures, which include direct payments to farmers where the farmers are required to limit production, certain government assistance programmes and rural development programmes. Under the Special and Differential Treatment, the developing countries are exempted from reducing support for agricultural investment, input subsidies for low-income farmers and support to encourage diversification from growing illicit crops.

As regards export subsidies, the Agreement established ceilings on both the value and the volume of subsidized exports of agricultural products over the base period 1986-90. Export credit guarantees and export promotion programmes were not included in export subsidies. The Agreement required developed countries to cut the export subsidies by 36 percent and to reduce the volume of subsidized exports by 21 percent over the period of six years. Countries could not introduce new export subsidies. Developing countries were to reduce the value of subsidies by 24 percent and volume of subsidized exports by 14 percent over ten years with no reduction applying to Least Developed Countries (LDCs). The Uruguay Round agreement thus set up a framework of rules and started reductions in protectionist and trade-distorting support. As the countries providing very high levels of support were unwilling to go for deep cuts immediately, this Agreement was seen as an interim arrangement and negotiations on substantial cuts were to follow.

Agriculture is one of the two areas (the other being Services) where negotiations for further liberalization are mandated in the WTO Agreement itself. Article 20 of the Agreement on Agriculture mandates

> *"...recognizing that the long-term objective of substantial progressive reductions in support and protection resulting in fundamental reform is an ongoing process, Members agree that negotiations for continuing the process will be initiated one year before the end of the implementation period, taking into account*
>
> *(a) the experience to that date from implementing the reduction commitments;*
>
> *(b) the effects of the reduction commitments on world trade in agriculture;*
>
> *(c) non-trade concerns, special and differential treatment to developing country Members, and the objective to establish a*

fair and market-oriented agricultural trading system, and the other objectives and concerns mentioned in the preamble to this Agreement; and

(d) *what further commitments are necessary to achieve the above mentioned long-term objectives".*

Based upon Article 20, negotiations started in 2000. The talks were meant to culminate in further reductions tariffs and in a phasing out of subsidies at the Cancun Ministerial in Mexico in September 2003.

Process of the New Negotiation

There are three distinct phases discernible in the mandated negotiations process. The first phase is what began in March 2000 and lasted till March 2001. This was the phase when about 121 countries submitted their proposals that outlined the commitments that they were seeking and willing to make. This was a starting position for the negotiations to take place. At the stocktaking meeting in March 2001, the second phase was launched. In the second phase, countries had more in-depth discussions on the technical aspects for each of the AoA topics. This phase was a little more complicated because in some ways it marked the beginning of the complex process of narrowing gaps and finding common ground within the very diverse positions expressed in the first phase. During this phase, the Fourth Ministerial Conference of the WTO took place at Doha, Qatar in November 2001. As part of the Ministerial Declaration, it was mandated that *"building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at: 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.... We take note of the non-trade concerns... confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture."* Further, the Doha Declaration also established some deadlines... *"Modalities for the further commitments, ... shall be established no later than 31 March 2003. Participants shall submit their comprehensive draft Schedules based on these modalities no later than the date of the Fifth Session of the Ministerial Conference"(WTO, WT/MIN (01)/DEC/1).* The third phase of the negotiations was thus launched in March 2002 with the Doha Declaration as a reference. The modalities - setting out the scope of the negotiations, the methodology to be followed during the actual process, and the end-results expected - were scheduled to be finalised over a 12-month period, ending March 2003. Based on these modalities, Members were to submit comprehensive draft schedules, by June 2003.

During phases one and two, proposals were submitted on all the areas of the AoA and also some proposals addressing new areas. So, apart from market access, domestic support and export subsidies, WTO Members have also expressed their views on what are called Non-Trade Concerns. These include food security, environment, structural adjustment, rural development, poverty alleviation, etc. Members view that agriculture has a crucial role to play in these non-trade objectives.

Purpose Of The Paper

The Uruguay Round Agreement on Agriculture has not achieved the extent of liberalization it was supposed to *(Messerlin, 2003)*. Many developed countries exploited the loopholes in the Agreement rather than committing to the spirit of fair trade. As implementation progressed, the developing countries realized the hidden imbalances in the Agreement, which resulted in an erosion of trust among the member countries. The wide range of proposals received from the member countries expressing their concerns makes the process of negotiations a very complex one. The 31st March 2003 deadline for working out the modalities was missed for this very reason and almost no consensus emerged on major issues. While salient differences remain in the approaches to the resolution of the negotiation stalemate, there are also wider conceptual differences as well. This was amply reflected during the Fifth Ministerial held at Cancun. The purpose of this paper is to understand the negotiating positions of different countries, review the last phase of the negotiation process and highlight some of the areas that India may need to concentrate on while participating in the ongoing negotiations.

II. COUNTRY POSITIONS

Introduction

In the WTO negotiation process, individual Member countries align themselves in groups, based on common interests and pursuit of common goals. These groups often make common proposals. The main groups that have emerged based on the proposals received during Phase I and II of the negotiations are: Cairns Group, African Group, ASEAN, CARICOM, the Transition Economies, the Small Island Developing States and the Developing Countries or Like-Minded Group *(WTO, TN/AG/6)*. Apart from these groups, there are other major players like the USA, European Union and Japan. The positions of these groups/countries are often fluid in nature. For example, although Canada is a part of the Cairns Group, it has also submitted its own separate proposal. Similarly, Egypt, a part of the African Group, has submitted a separate individual proposal. Even within the Cairns Group, there is the sub-group of MERCOSUR, which has aligned with other countries such as India to present a proposal (*WTO, G/AG/W/50*). In fact, apart from the comprehensive proposal that India presented, it has also aligned with the developing country group on certain issues. In the developing country group also, a number of countries preferred to present individual proposals. Also, the developing countries have aligned with different countries on different issues. Sometimes, the groups may overlap; for example countries like Barbados, Dominica, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago are part of the Small Island Developing States and also the CARICOM.

Individual proposals of countries reflect their particular concerns. So while the US proposal *(WTO, G/AG/NG/W/91)* is aimed at garnering better market access for its agricultural products, the Japanese proposal is underlined by the concept of "multifunctionality" of agriculture and is based upon the philosophy of "*coexistence of various types of agriculture*" (*WTO, G/AG/NG/W/91*). The EU proposal also reinforces the concept of multifunctionality and also lays strong emphasis on environmental concerns. The African Group of countries' proposal (*WTO, G/AG/NG/W/142)* highlights non-trade concerns, especially stressing on food security and poverty alleviation. Food security also figures prominently in the Indian proposal. Some of the smaller countries like Mauritius and Mali have simple proposals that highlight particular needs of these countries. For example the Mali proposal with regard to market access simply asks for duty free admission of fruits and vegetables, red meat and cattle, livestock products and meat, hides, leather and products thereof and cotton from least-developed countries. Mauritius, representing 'small, vulnerable economies' (SVEs), has insisted that SVEs need special treatment beyond what is generally available for developing countries, including trade preferences and longer adjustment periods (*ICTSD a*).

Even as early as the Doha Declaration in 2001, vast differences in country positions were apparent. A review of the experience at Doha gives an idea of the divergence in the negotiating positions. At Doha, ministers struggled to find a compromise acceptable to all WTO Members, who were (and continue to be) utterly divided over how to deal with agricultural export subsidies. The EU, a liberal user of this export competition tool rejected the draft

Ministerial declaration language presented to ministers, which called for the reduction of export subsidies "*with a view to phasing [them] out"(ICTSD & IISD, 2003).* The Ministerial Declaration was cleared only after adding the qualification that the talks must be carried out "*without prejudging the outcome of the negotiations.*" Thus, while many agricultural exporters rejoiced in finally getting a 'commitment' to the elimination of export subsidies, the EU and countries such as Japan, Norway and Switzerland have since stressed that Members are only committed to 'working in the direction of ' (*ICTSD*) such elimination and have not agreed to a deadline for reaching the goal. Views also differ on what constitutes export subsidies. The US position is that talks focus on export subsidies only; while EU demanded that they cover all forms of export support, including export credit schemes, of which US is a main user. The final Ministerial Declaration was phrased as *"phasing out all forms of export subsidies"*, thus still leaving some ambiguity *(WTO, WT/MIN (01)/DEC/1).* Therefore, while trying to balance different positions of the countries, declarations made are often ambiguous and subject to convenient interpretations.

The current negotiations also aim at "*substantial reductions in trade-distorting domestic support*" *(WTO, WT/MIN (01)/DEC/1).* While some Cairns and Like-minded Group Members regard this mandate as a potential gate for negotiations on all categories of subsidies, Members such as the European countries and Japan maintain that it only refers to support notified under the Amber Box of trade-distorting subsidies (comprising production-linked subsides, price support, etc.). These countries stress that Green Box subsidies are explicitly exempted from the Doha mandate as the support under this category must, by definition, have "no, or at most minimal, trade-distorting effects." However, the Cairns Group and several developing countries take the view that the developed countries' Green Box expenditure distorts trade by its sheer volume and therefore the criteria for eligible programmes should be more narrowly defined, and Green Box government spending should at least be capped.

With regard to special and differential treatment (S&D), consultations were held in Doha on the creation of a 'Development Box' that would give greater latitude for developing countries' agricultural support measures. However, while proposals aimed at enhancing food security and rural employment in developing countries are still on the table, calls for an exclusive Development Box have become infrequent in recent months.

In the past three years, the positions of Members contained in the proposals have been delineated. The proposals in the area of market access covers reductions in tariff, forms of tariffs, in quota tariffs, administration of tariff rate quotas, Special Safeguard measures etc. The use of the Special Safeguard (SSG) measures in their current form, by the developing countries is often prevented by the fact that this possibility is given only for products that have been tarrified in the Uruguay Round and which are registered in a list of products with special concessions. Only a few developing countries have made use of this clause so far. In the area of domestic support, proposals covered Amber Box reductions, AMS calculation, *de minimis*, Blue Box, Green Box and some proposals under the Development Box. As far as export competition is

concerned, proposals covered export subsidies, export credits and food aid. The theme of non-trade concerns (NTCs) and special and differential treatment cut across the three main pillars. It must be noted that though the issue of non-trade concerns finds a voice across developed and developing countries, the exact nature of the concern of these countries differ. While EU and Switzerland put emphasis on precautionary principle and food safety, the developing countries like the African Group and India are emphasizing on food security and poverty alleviation. Emphasis on precautionary principle and food safety is also seen as a potential source of non-tariff barriers by the developing countries.

Individual country / group positions are summarized below. These are not exhaustive but highlight key areas of emphasis in the ongoing negotiations (See also Table I and Annexure I).

Market Access

African Group
With regard to reductions in tariffs, the African Group's proposal calls for reductions based on final bound rates *(WTO, G/AG/NG/W/142)*. It also states that tariff peaks facing developing countries' exports and tariff escalation should be substantially reduced in the developed countries. With regard to the special safeguard mechanism, Article 5 of the Agreement on Agriculture, the Group wants it to be reviewed and an appropriate agricultural safeguard mechanism for developing countries to be developed as special and differential treatment. The Group's view is that developed countries should provide tariff free and quota free market access for exports from least-developed countries. Existing preferences that have been accorded historically to developing countries should remain meaningful and be binding under the framework of the Agreement on Agriculture. New or enhanced preferences to be granted to developing and least-developed countries should be made over and above the terms and conditions of existing preferential market access.

Although Egypt is a part of the African Group, it has also submitted proposals outside the Group *(WTO, G/AG/NG/W/107)*. Egypt proposes that tariff reductions in developing countries should be made on a basis consistent with their development needs. Developing countries should have greater flexibility to re-evaluate and adjust their tariff schedules, with a view to overcome the negative effects of cheap subsidized agricultural imports. Substantial reduction in tariffs and other entry-point charges currently applicable to agricultural products, elimination of tariff escalation, tariff peaks and tariff disparities, reduction of tariffs in the developed countries from applied rates, elimination of measures used by developed countries, such as specific duties, reference prices, entry prices, variable levies, compound rates and other measures and express them in ad valorem terms, are some of the other highlights of the proposal. With regard to the SSG, the Egyptian stand is to review the special safeguard with a view to elimination.

ASEAN
With regard to tariffs, ASEAN proposal asks for applying further tariff reductions and eliminating tariff peaks and tariff escalation. Further, it also seeks elimination of tariff disparities, with developed countries committing to greater tariff reductions. In the area of Special and Differential Treatment, the ASEAN group

states that developing countries must have differential commitments and modalities as appropriate. In addition, developing countries must be allowed the flexibility to continue the application of special safeguards *(ICTSD a)*.

Cairns Group

The Cairns Group is part of what is referred to as the "ambitious" group as it seeks a very aggressive liberalization. The proposal asks for deeper cuts in, or elimination of, tariffs on all agricultural products, including value added products, produced in and exported by developing countries. To effect this reduction, the Group proposes the use of a formula approach to achieve deep cuts to all tariffs from bound rates, which reduces higher tariffs by greater amounts, including tariff peaks, and eliminates tariff escalation. The proposal suggests the establishment of a maximum level for all tariffs. The proposal also asks for a down payment on tariff reductions in the first year of implementation, to bring tariffs to levels *as if the Uruguay Round reductions had continued at the same pace (WTO G/AG/NG/W/54)*. The proposal also calls for a simplification and increased transparency in tariff regimes by way of making additional provisions for this purpose, eliminating bound duties containing specific minimum entry price schemes and for tariff commitments to be expressed in ad valorem terms. The special safeguard should be preserved for developing countries to assist with domestic and international agricultural reform efforts and in countering subsidised competition, and eliminate access to the special safeguard contained in Article 5 of the Agreement on Agriculture.

Canada, a part of the Cairns Group, presented an individual proposal as well. The proposal states that single stage tariffs should be reduced using a formula that gives substantial reduction and greater harmonization of tariff levels. It also calls for additional provisions that ensure real market access improvements such as maximum tariff bindings for each tariff line and minimum total reductions for each tariff line compared to the base rates of the Uruguay Round. In addition, any single stage tariff with a final bound rate above a certain threshold should be converted into a two-stage tariff with a specified quantity of duty free access within the quota.

European Communities

The proposal *(EC Approach on Agriculture 1999)* states that EC countries are pledged to provide duty-free access to essentially all products, including agricultural products, from the least-developed countries. In addition to multilateral liberalisation and in order to increase market access to products originating in developing countries, developed countries and the wealthiest developing countries should provide significant trade preferences to developing countries, and in particular the least-developed. These trade preferences should be rendered stable and predictable, in order to create appropriate conditions for further investment in, and development of, the agricultural and agri-food sectors in developing countries.

The EC has proposed that the formula for tariff reductions should be such that it leads to the overall average reduction of bound tariffs and a minimum reduction per tariff line, as was the case in the Uruguay Round. The reason given for this is that it is a simple way of achieving across the board reductions; it corresponds to the engagements taken in Article 20 and it

allows for sufficient flexibility enabling Members to take into account the particular situation of specific sectors. In a proposal endorsed by member-states in late January 2003, the European Union suggested an overall average reduction of 36 percent and a minimum reduction per tariff line of 15 percent (as was done in the Uruguay Round). With regard to Tariff Rate Quotas (TRQs), the EC believes that there are a number of shortcomings in their administration that should be resolved. In addition to that, there is at present legal uncertainty as to the kinds of TRQ management that are WTO compatible, and in this context there is a need for clarification of the rules for allocation. The EC proposes that a set of rules and disciplines should be defined to increase the transparency, the reliability and the security of the management of TRQs such that the concessions already granted are fully realised.

One of the most striking feature of the EC position has been the persistent effort to bring into the agricultural negotiations certain issues such as precautionary principle, labelling and geographical indications (GIs), which have so far only been addressed under the SPS or the TBT Agreements. The EC reasoning for this is that improved market access also demands, as a counterpart, fair competition opportunities for those products whose quality and reputation are linked to their geographical origin and traditional know-how. The EC proposes that appropriate provisions be implemented (a) to guarantee effective protection against usurpation of names for agricultural products and foodstuffs; (b) to protect the right to use geographical indications or designations of origin; and (c) to guarantee consumer protection and fair competition through regulation of labelling (*ICTSD b*). The EU proposal to create a register of agricultural geographical indications (GIs) to be included in the AoA has been strongly rejected by most trading partners. Even Switzerland, a stout advocate of GI extension, would prefer to deal with it at the TRIPs Council. With regard to the Special Safeguard Clause, the EC proposes that such an instrument should be maintained in the Agreement on Agriculture. According to the proposal, tariffication provides a limited degree of reassurance that this will not lead to sudden or unpredictable surges in imports or sharp reductions in import prices. Were this instrument to be removed, the only remaining form of recourse in such situations would be the relevant safeguard provision in the WTO (Agreement on Safeguards), under which much more trade–disruptive measures are permitted.

India

One of the most pressing concerns for India, which is amply reflected in its proposal, is the concept of Food Security *(WTO, G/AG/NG/W/102)*. As part of a "Food Security Box", India proposes that developing countries be allowed to have an appropriate level of tariff bindings keeping in mind their developmental needs and the distortions in the international market so as to protect the livelihood of those that depend on agriculture. Developing countries with low tariff bindings, which could not be rationalised in earlier negotiations, should be allowed to raise their bound levels to the ceiling bindings for similar categories of products, committed during the Uruguay Round. A safeguard mechanism similar to that provided for in Article 5 of the Agreement on Agriculture and including a quantitative restriction in specified circumstances should be made available to all developing

countries in the event of a surge of imports or decline in prices and to ensure food and livelihood security of their people. The provision of special treatment as provided in Section A of Annex 5[1] of the Agreement on Agriculture should be removed as it is against the basic principles of the GATT. In a reference to some non-trade concerns, the Indian proposal sates that *'all measures taken by the developing countries for poverty alleviation, rural development, rural employment and diversification of agriculture should be exempted from any form of reduction commitments' (WTO, G/AG/NG/W/102).*

With regard to tariff reductions, the Indian position is that an appropriate formula with a cap on tariff bindings to be evolved to effect substantial reductions in all tariff levels, including tariff peaks and tariff escalation in developed countries. The proposal asked for an initial reduction in bound tariffs of developed countries of 50 per cent by the end of 2001 compared to the level at the beginning of 2001. With regard to Tariff Rate Quotas (TRQs), the Indian position is that they should be eventually abolished. In the intervening period, there should, however, be substantial expansion in the volume of TRQs administered by developed countries. There should also be greater transparency in administration of TRQs.

Japan

The basic philosophy that underlies the Japanese proposal is the *"coexistence of various types of agriculture"* and the *"consideration of the multifunctionality of agriculture"* (*WTO, G/AG/NG/W/91*). The proposal states that tariff levels should be decided in a manner that provides flexibility to individual products. Tariff levels of processed agricultural products should be determined taking into account the importance of the food industry. Out-of-quota tariff rates should be decided taking into account factors such as the differences between international and domestic prices, progress of agricultural policy reform, food security and securing the benefits of the multifunctionality of agriculture.

With regard to the SSG mechanism, the Japanese position is that the special safeguard should be maintained. The proposal also calls for the introduction of a new safeguard mechanism for seasonal and perishable agricultural products, through which minor and short-term measures can be applied automatically and effectively, based on simple and basic conditions. The proposal also includes the issue of food security, and states that in order to ensure food security, wide range of flexibility should be given to developing countries with regard to the rules and disciplines on border measures and their application.

Transition Economies

The countries in this group are Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Kyrgyz Republic, Latvia, Slovak Republic, Slovenia, Croatia, and Lithuania. The proposal (*WTO, G/AG/NG/W/56)* calls for the inclusion of a specific flexibility provision for Transition Economies in any negotiating

[1] Section A of Annex 5 of AoA exempts certain primary agricultural products and their prepared products (based on specified criteria) from the provisions pf Para 2 Art. 4, i.e. Members are exempt from the provision that *"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..."* India's view is that this provision (Section A of Annex A) therefore allows Members to in fact revert to the very same barriers to market access that the GATT sought to get rid of in the first place.

modalities for future tariff reductions and other access commitments. Such a provision would, inter alia, exempt low tariffs from further reduction commitments for these countries, as well as allowing for selective reduction commitments.

CARICOM

Countries in the CARICOM (Caribbean Community) include Antigua and Bermuda, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts & Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago. Apart from asking for tariff cuts by a formula that discounts higher tariffs and tariff peaks relatively more than lower tariffs and eliminates tariff escalation, the CARICOM proposal also suggests that further tariff reduction should be linked to faster "genuine" reductions in the levels of domestic supports. The proposal also makes a case for simplifying tariff structures by conversion of seasonal and specific tariffs to ad valorem tariffs. It also calls for differential commitments for small developing economies, modalities as appropriate, including the possibility of exemption from further tariff reductions, particularly in circumstances where substantial liberalization has already been undertaken.

The Developing Country Group

The group, consisting of Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka, El Salvador, India and Nigeria, proposed elimination of tariff peaks and escalation in developed countries' tariff schedules and the application of an appropriate formula to bring down tariffs to more reasonable levels *(ICTSD a)*. The proposal suggested that a harmonisation formula should be designed to reduce tariff escalation, including the provision by developed countries of full liberalisation for tropical products in processed forms. As part of a proposed Development Box, some Members of this Group have proposed that if it can be shown that cheap imports are destroying, or threatening domestic producers, developing countries should be allowed to raise their tariff bindings on key products to protect their food security. Also, under the Development Box, there is a proposal for drastic reduction in tariff levels of OECD countries with very high tariff peaks and escalations, especially for products of interest to developing countries.

There is also a proposal for elimination of variable tariffs used by developed countries, such as price band schemes and seasonal tariffs. Variable tariffs should only be allowed as a special and differential treatment for developing countries. The proposal also seeks simplification and greater transparency in Developed Country tariff structures, suggesting that all tariffs should be converted to ad valorem tariffs. The proposal calls for prohibiting the facility of the special safeguard for developed countries and make it available to all developing countries based on fall in prices or surge in imports.

United States

The US is also a part of the "ambitious group" which seeks a very committed programme of liberalization in the agricultural negotiations. The proposal calls for a substantial reduction and/or elimination of disparities in tariff levels among countries, substantial reduction and/or elimination of tariff escalation, so as to ensure effective market access

opportunities for all products in all markets. All Members should consider products of interest to developing countries, in particular least-developed countries, when making tariff reductions and special consideration to least-developed countries when implementing tariff reductions. It also calls for reductions or elimination of in-quota duties, by reducing them from applied rates through progressive implementation of annual reduction commitments over a fixed period. With regard to TRQs, the proposal (*WTO, G/AG/NG/W/58)* calls for substantial increases through progressive implementation of annual commitments over a fixed period, to establish disciplines to improve functioning of tariff-rate quotas, including specific mechanisms that trigger when tariff rate quota fill remains below a fixed level. With regard to SSG, the US position is to eliminate the special safeguard as defined in Article 5 of the AoA.

Small Island Developing States (SIDS)
The SIDS consists of Barbados, Cuba Dominica, Jamaica, Mauritius, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago. The SIDS Group suggests that the special safeguard should be available to developing countries. Small Island developing states also call for security of access for the small number of commodities they can produce on a commercial basis. Non-reciprocal preferential tariffs for developing countries should be improved and bound. Those small Island developing states that undertook commitments under the Agreement on Agriculture during Structural Adjustment Programmes should be allowed to renegotiate their market-access commitments.

Domestic Support

African Group
The African Group position on domestic support is that trade and production distorting domestic support measures in developed countries should be substantially and progressively reduced during the course of the reform programme. As regards the *de minimis* measures, the proposal calls for increased flexibility in its use by developing countries and, if such countries have a zero AMS, they should be allowed to provide such support if required under their development programmes. The basic and policy-specific criteria for Green Box support should be tightened to ensure no, or at most, minimal, distorting effects on trade and production. The proposal states that it should be recognised that several developing countries, in particular small island and land-locked developing countries and least-developed countries, face budgetary constraints and therefore require stable and predictable conditions of preferential market access to be able to make use of Annex II[2] measures. The proposal also makes a reference to non-trade concerns while elucidating the position on S&D Treatment. The expansion of the scope of S&D Treatment in the area of domestic support should allow developing countries to employ policy measures which target the viability of small-scale and subsistence farmers, rural poverty alleviation, food security, as well as product diversification. Such elements should take into account the need to strengthen vulnerable producers and to improve their export competitiveness.

[2] Annex 2 of the AoA: Domestic Support: The Basis for Exemption from Reduction Commitments.

ASEAN

The ASEAN proposal on domestic support maintains that all such measures as identified in Article 6.2 of the AoA that are integral parts of development programmes of developing countries, whether directly or indirectly, must remain exempt from reduction commitments. Measures intended to promote agricultural diversification must also be exempt from reduction commitments. Developing countries must be given an effective and meaningful degree of autonomy on policy instruments to address food security concerns. It also calls for a differentiation between domestic measures that result in overproduction and *the ability to carve out a niche in the international market (ICTSD a)*, and those measures designed to face the challenges of food security of developing countries. The existing *de minimis* concept and threshold must be continued to be applied but only to developing countries. Developed countries must commit to a substantial down payment of aggregate and specific support from a determined base period in absolute terms and the remaining AMS should then be subject to reduction leading to elimination. Reduction commitments should be made on a disaggregated level. The Blue Box must be subjected to substantial reduction commitments leading to its elimination. The criteria for the Green Box must be reviewed to ensure that they meet the fundamental requirement that they have at most minimal trade distorting effects or effects on production. The review should also ensure that the elements contained in the Green Box are more responsive to the needs, particularly food security concerns, of developing countries. There should be an overall cap on the budget of developed countries allocated for Green Box measures.

Cairns Group

The proposal calls for a formula approach to deliver major reductions in trade and production distorting support leading to elimination. The formula would include a substantial down payment during the first year of the implementation period (e.g., a 50 per cent initial reduction) and would result in commitments on a disaggregated basis. The Cairns Group wants a differentiated AMS formula and commitments for developing countries, including preserving *de minimis* provisions and exceptions for investment and input subsidies and domestic support for diversification from illicit narcotic products. As regards the Green Box, the basic and policy specific criteria should be reviewed to ensure that all such support meets the fundamental requirements of no, or at most minimal, trade-distorting effects or effects on production. It calls for enhanced Green Box provisions for developing countries that would address their specific concerns regarding food security, rural development and poverty eradication.

Canada, a Cairns Group Member, proposes that support meeting Annex 2 criteria should be permanently recognised as not countervailable. The negotiations should pursue and develop an overall limit on the amount of support of all types (Green, Blue and Amber) provided to agriculture, so as to ensure that the reform programme reduces inequities.

European Communities

The EC proposal states that the concept of the Blue and Green Boxes should be maintained, as well as the general rules and disciplines applying to them. However, discussions are possible on the detailed rules on domestic support. It also

calls for further reduction in the Total Aggregate Measurement of Support starting from the final bound commitment level and for strengthening of the rules on non-product specific domestic support. As regards the Amber Box subsidies, the proposal states that *specific disciplines should be applied to variable Amber Box subsidies that boost export performance through providing compensation for variations in market (EC Comprehensive Negotiating Proposal 2001*). The proposal on Green Box subsidies makes a reference to several non-trade concerns. It states that Green Box criteria should be examined to ensure minimal trade distortion whilst at the same time ensuring appropriate coverage of measures that meet important societal goals such as the protection of the environment, the sustained vitality of rural areas and poverty alleviation, food security for developing countries and animal welfare. Domestic support measures that promote the sustainable vitality of rural areas and the food security concerns of developing countries as a means of poverty alleviation should, where appropriate, be exempt from any reduction commitments.

The EC proposal also calls for a reduction in the *de minimis* levels for developed countries. Other ways should be examined in order to provide the necessary flexibility to developing countries to address the non-trade concerns (i.e. sustainable vitality of rural areas and food security concerns as a means of poverty alleviation), notably through a revision of the *de minimis* clause for developing countries.

India

The Indian proposal on domestic support issues makes several references to non-trade issues, most notably that of food security. As part of a Food Security Box proposed by India, it is suggested that all existing provisions of Annex 2, except paragraphs 5 to 7, should be continued as they are an integral part of the food security measures required to be taken by developing countries. The proposal also asks for flexibility for developing countries in the manner of providing subsidies to key farm inputs, which should continue to be accounted for in the non-product specific AMS calculations. Product specific support should be calculated at the aggregate level; support to anyone particular commodity should not be allowed to exceed double the *de minimis* limit of that commodity. In addition to the provisions of Article 6.2 of the Agreement on Agriculture, relating to agricultural investment and input subsidies, product specific support given to low income and resource poor farmers should also be excluded from the AMS calculations.

The proposal also states that total domestic support should be brought below *de minimis* levels within three years by developed and five years by developing countries. It was suggested that developed countries make a down-payment of 50 per cent reduction from the level used in 2000; or by the amount above the *de minimis*, whichever is the lower. In other AMS related proposals, it has been suggested that negative product specific support should be allowed to be adjusted against positive non-product specific AMS figures; payments under Article 6.5 should be included in the non product-specific AMS; paragraphs 5 to 7of Annex 2 (direct payments under decoupled income support, income insurance and income safety-net programmes) should be included in the non product-specific AMS.

In further reference to non-trade concerns, the proposal states that all measures taken by the developing countries for poverty alleviation, rural development, rural employment and diversification of agriculture should be exempted from any form of reduction commitments. Lastly, the proposal also calls for a suitable methodology for notifying domestic support in a stable currency or basket of currencies should be adopted to take account of inflation and exchange rate variations.

Japan

The Japanese position on the issue of domestic support is that the present basic framework of rules and disciplines on domestic support should be maintained. The total AMS commitments levels should be determined in a "*realistic*" (*WTO G/AG/NG/W/91*) manner, in order to keep pace with the progress of domestic agricultural policy reform and so as not to undermine the benefits in each country from the multifunctionality of agriculture. The base level of the total AMS should be the final commitment level in the year. The Blue Box should be maintained. The requirements for decoupled income support should be improved, in order to reflect the real situation of production, including the factors of production that are employed. Japan also proposes an easing of the requirements on measures, such as income insurance and income safety-net programs, and relaxing of the restrictions on the rate of compensation concerning those measures. As part of S&D Treatment, it calls for flexibility to developing countries both in the rules and in their application so that support needed to increase food production for domestic consumption is not affected.

Transition Economies

The proposal from the Transition Economies reflects the particular concern of these Members in as much as these countries "*have been plagued by the scarcity of capital: they have been lacking own resources, in the absence of a well-functioning mortgage system the availability of loans on commercial terms has been limited, budgetary constraints have stood in the way of adequate government assistance*" (*WTO, G/AG/NG/W/56*). In this light, the proposal calls for the inclusion of *a specific provision into the Agreement on Agriculture which would address the particular needs of Members that are in the difficult process of transformation to a fully-fledged market system or consolidating the results of such a deep-going economic process in the agricultural sector* (*WTO, G/AG/NG/W/56).* Such a provision would exempt investment subsidies and input subsidies generally available to agriculture, interest subsidies to the costs of financing as well as grants to cover debt repayment from domestic support reduction commitments. The proposal also calls for an increase in the *de minimis* threshold applicable to transition economies.

The Developing Country Group

The Developing Country or the Like-Minded Group states that all domestic support to be collapsed into a single "General Subsidies" box. A set of criteria should be spelt out as to what should make up the programmes legal within this one box. A common level of support should be allowed, e.g., 10 per cent of this one box, which would be non-actionable. Subsidies of 5 per cent above would be actionable for developed countries (developing countries being protected by the Due

Restraint Clause). Subsidies above this should be prohibited. Developing countries should also have flexibility under a Development Box. Further, as part of a Development Box, developing countries should be allowed an additional 10 per cent on their *de minimis* support level, bringing it to 20 per cent.

United States

The US proposal calls for a simplification of the domestic support disciplines into two categories; exempt support, as defined by criteria-based measures that have no, or at most minimal, trade distorting effects or effects on production, and non-exempt support which would be subject to a reduction commitment. The criteria for exempt support measures should be enhanced further, by building on experience, while ensuring all exempt measures are targeted, transparent, and, at most, minimally trade-distorting. Such criteria-based support measures, should be exempt from reduction commitments to promote sustainable, vibrant agricultural and rural communities in a manner that is, at most, minimally trade distorting. In addition to current provisions these criteria-based exempt measures could address issues such as farm income safety-net and risk management tools, environmental and natural resource protection, rural development, new technologies, and structural adjustment. In all cases exempt measures must be targeted, transparent and designed to minimize impacts on other WTO Members, particularly developing countries. With regard to AMS, the proposal calls for a formula based approach to reduce it. This could be done in equal annual instalments, thus bringing the final bound AMS to a new final bound level that is equal to a fixed percentage of the relevant Member's value of total agricultural production in a fixed base period. The fixed percentage would be the same for all Members. US subsequently suggested 5 percent. The reasoning was that a formula-based approach would result in levels of support that are more proportionate among Members at the end of implementation. The *de minimis* provision in Article 6.4 of the Agreement on Agriculture should be maintained in its current form.

Small Island Developing States

Their proposal suggests that those States that entered into the commitments under the Agreement on Agriculture during Structural Adjustment Programmes should be allowed to receive a higher *de minimis* level on domestic support. The possibility to provide financial support should not be excluded for Small Island Developing States.

Export Subsidies and Competition

African Group

The African Group's proposal states that export subsidies provided by developed countries should be substantially and progressively reduced, with a view to their eventual elimination. As mandated by Article 10.2 of the Agreement on Agriculture, urgent action should be taken to work towards the development of agreed disciplines to govern the provision of export credits, export credit guarantees and insurance programmes taking into account the special conditions and needs of net food-importing developing and least-developed countries. The provision given in Article 9.4 (exemption for developing countries for certain forms of marketing and transport subsidies for the duration of the implementation period) should continue and be strengthened.

ASEAN

ASEAN proposal on export competition issues states that developed countries must immediately eliminate all forms of export subsidies and commit to their unconditional prohibition. Disciplines in export credit, guarantees and insurance programmes should be developed and concluded before the end of the implementation period. The development of these disciplines should provide adequate flexibility for developing countries. Developing countries must be able to continue using existing flexibility with respect to export subsidies (i.e. Article 9.4).

Cairns Group

The Cairns proposal calls for elimination and prohibition of all forms of export subsidies for all agricultural products starting with a reduction (e.g., not less than 50 per cent) in both outlays and volumes in the first year of the implementation period, with the starting-point being the bound ceilings at the end of 2000 and 2004 respectively for developed and developing countries. It also calls for additional or strengthened rules and disciplines to prevent circumvention of elimination and prohibition, including the subsidy element of export competition measures such as export credits, guarantees and insurance programmes and non-commercial transactions. The final provisions could include longer implementation period and extension of existing special and differential treatment for developing countries under Article 9.4 of the Agreement on Agriculture until elimination and prohibition of export subsidies are completed.

Apart from this position, certain members of the Cairns Group, under the MERCOSUR, along with some other countries (notably, India, Chile, Costa Rica, Guatemala, Malaysia) presented a separate, detailed proposal on export credits. It called for addressing several issues during the negotiations. These include a definition of "officially supported export credit", identification and listing of the forms of officially supported export credit operations, identification and listing of the types and institutions and programmes to be covered by disciplines, terms and conditions of use of such credits which could include source of funds, maximum repayment term, starting-point of credit, repayment of principal, payment of interest, cash payments, sharing of risk, minimum interest rates, validity period for export credits and minimum premium; and notification requirements of officially supported export credit transactions that exceed 180 days to provide, on an aggregated basis by programme or institution, the products concerned (volume and amount of credit), countries of destination and terms and conditions of the transaction. As special and differential treatment, appropriate minimum interest rates, inter alia, should be established to address the interests of exporting developing countries, and the disciplines to be adopted must include appropriate provisions for differential treatment in favour of least-developed and net food-importing developing countries. These provisions should include longer repayment periods and should be consistent with the exemptions already provided in the Agreement on Agriculture for developing countries and with the modifications resulting from the negotiations to the general rules and disciplines applicable to export subsidies.

European Communities
The EC is one of the most prolific users of export subsidies. The EC proposal explicitly states that reductions can be negotiated provided that all forms of support to exports of agricultural and food products are treated on a common footing (i.e., export subsidies, export credits, food aid, state trading enterprises). To this effect, specific WTO rules and disciplines should be developed to cover export credits; prevention, through several specific instruments, of the abuse of food aid while at the same time promoting the development of genuine food aid and preserving an appropriate level of food aid donations; and several new/strengthened disciplines in respect of the operation of state trading enterprises.

The EC proposal makes a strong point with respect to export credits and states that they should fall within the WTO rules and disciplines. The EC suggest that the negotiations in the OECD on export credits for agricultural products should be concluded and incorporated into the future WTO Agreement on Agriculture in order to ensure that there is equal treatment of all export competition tools. Officially supported export credits in agriculture should be covered by specific WTO rules and disciplines, notably by integrating the rules and disciplines that would have been agreed in other international fora, into the Agreement on Agriculture, the objective being to move officially supported export credits towards usual commercial practice.

The EC believes that it is urgent to start discussion in the WTO about what should be considered as food aid, i.e., which type of transactions, in which circumstances, and under which conditions. Food aid would benefit from tighter rules and greater transparency in the WTO to avoid abuses. In addition WTO notification procedures regarding the provision of food aid should be strengthened. Food aid should be given fully grant form and should not be used as a market promotion tool to displace normal commercial transactions and local production.

India
Like most developing countries, the Indian proposal also calls for an elimination of export subsidies. Specifically, India suggested that the elimination should be in the first 2 years of implementation with a down-payment of 50 per cent on the level used in 2000 and that there should be no rolling over of unused export subsidies. All forms of export subsidisation including export credits, guarantees, price discounts and insurance programmes in developed countries should be subject to overall disciplines applicable to export subsidies. Existing special and differential treatment for developing countries under Article 9.4[3] of the Agreement on Agriculture should continue and the provisions under Article 27 and Annex VII of the Agreement on Subsidies and Countervailing Measures should prevail over Article 8 of the Agreement on Agriculture. Article 8 of the Agreement on Agriculture deals with export competition commitments and states that "*Each Member undertakes not to provide export subsidies otherwise than in conformity with this Agreement...*" However, Article 27 of the Agreement on Subsidies and Countervailing Duties provides for exemption from prohibition of the agricultural export subsidies as defined in Article 1 of the Agreement for certain. The provisions of Article 27 apply to some developing countries, which are

[3] Provides exemption from reduction commitments on certain specified export subsidies for developing countries

listed in Annex VII. India is on this list. In asking Article 27 of Agreement on Subsidies &Countervailing Duties to prevail over Article 8 of the AoA, India effectively gets an exemption from its export competition commitments.

Japan

The Japanese proposal on export competition calls for further reduction in the amount of export subsidies and the volume of subsidized exports by binding the level of the unit value of export subsidies that will be progressively reduced during the implementation period. It also exhorts Members to strengthen disciplines on export credits and on domestic support that has a similar effect as that of export subsidies and on export subsidies on products and markets in which developing countries are interested.

The Developing Country Group

The Group's proposal states that dumping must be prohibited and export subsidies of all forms by developed countries must be eliminated immediately.

United States

The US position is to reduce to zero the levels of scheduled budgetary outlays and quantity commitments through progressive implementation of annual reduction commitments over a fixed period. As for export credits, the US wants to conduct negotiations for export credit programs in the Organization for Economic Cooperation and Development in fulfilment of Article 10.2 of the Agreement on Agriculture, and apply disciplines to all users.

TABLE 1: A Summary of Country Positions at the AoA Negotiations				
	Countries/ Groups ↓ / WTO AoA "3 Pillars" →	MARKET ACCESS	DOMESTIC SUPPORT	EXPORT SUBSIDIES
1	The African Group	Tariff reductions based on Final Bound Rates; Review Article 5 of AoA	Progressively reduce domestic support measures; basic criteria for Green Box Support should be strengthened; domestic support should allow developing countries to meet NTCs like poverty alleviation, food security etc.	Export subsidies should be substantially and progressively reduced, with a view to their eventual elimination. Urgent action should be taken to the development of agreed disciplines to govern the provision of export credits, export credit guarantees and insurance programmes
2	ASEAN	Tariff reductions and elimination of tariff peaks and escalation	Domestic measures under development programmes of developing countries must be exempt from reduction commitments; elimination of AMS from developed countries; review Green Box Measures	Eliminate all forms of export subsidies and commit to their unconditional prohibition; Disciplines in export credits, guarantees and insurance programmes should be developed
3	CAIRNS' Group	Deep cuts or elimination of agricultural tariffs on bound rates	Elimination of domestic support measures starting with an initial 50 percent down payment; review Green Box criteria	Elimination and prohibition of all forms of export subsidies starting with a reduction (e.g. not less than 50 per cent) in both outlays and volumes in the first year of the implementation

				period
4	European Communities	Tariff Reductions based on the UR formula; Introduced NTCs like precautionary principle, GIs into AoA; Maintain SSG	Maintain Green and Blue Box Measures; Specific disciplines for Amber Box; reduce *de minimis* levels	Reductions can be negotiated provided that all forms of support to exports are treated on a common footing (i.e. export subsidies, export credits, food aid, state trading enterprises); Specific WTO rules and disciplines should be developed to cover export credits
5	India	Initial reduction of 50 percent on bound tariffs by developed countries; Strong accent on food security as a NTC; Create safeguard mechanism similar to SSG for developing countries	Flexibility to developing countries in the manner of providing subsidies to key farm inputs; Total domestic support should be brought below *de minimis* levels within three years by developed and five years by developing countries; all measures taken for NTCs like poverty elevation; food security etc. should be exempt from reduction commitments	Elimination of export subsidies in the first 2 years of implementation with a down-payment of 50 per cent on the level used in 2000; No rolling over of unused export subsidies.
6	Japan	Built around the concept of multifunctionality, tariff reductions should give flexibility to individual products; Maintain SSG	Maintain current rules and disciplines on domestic support; determine AMS commitments in a realistic manner; maintain Blue Box	Further reduction in the amount of export subsidies and the volume of subsidized exports by binding the level of the unit value of export subsidies that will be progressively reduced during the implementation

				period
7	Transition Economies	Flexibility provisions, such that low tariffs are exempt from further reductions	Include specific provisions in AoA which exempt investment subsidies and input subsidies from reduction commitments	
8	The Developing Country Group / Like Minded Group	Reduction in tariff escalation and tariff peaks	All domestic support to be collapsed into a single "General Subsidies" box; with a set of criteria; A common level of support should be allowed, e.g. 10 per cent of this one box	Dumping must be prohibited and export subsidies of all forms by developed countries must be eliminated immediately.
9	USA	Substantial reduction and/or elimination of tariff disparities within different countries; Eliminate SSG under Article 5	Simplification of the domestic support disciplines into two categories; exempt support and non-exempt support.	Reduce to zero the levels of scheduled budgetary outlays and quantity commitments through progressive implementation of annual reduction commitments over a fixed period; conduct negotiations for export credit programs in the Organization for Economic Cooperation, and apply disciplines to all users.
10	Small Island Developing States	SSG to developing countries	Higher *de minimis* level for SIDS	

III. PROGRESS OF NEGOTIATIONS

A Review Of The Last Quarter Of The Modalities Phase

Based on the country positions, an overview paper for the modalities of countries' commitments (*WTO TN/AG/6*) was circulated on 18 December 2002, by Stuart Harbinson, Director of the WTO Director-General's Office, who also chaired the agricultural negotiations. This draft made note of the important issues that remain outstanding in terms of achieving consensus. These include significant differences in interpreting the Doha mandate; the different levels of detail in the modalities proposals; developing countries' split on Special and Differential Treatment; the concept of graduated treatment for certain groups of developing countries, acceding countries and Members in transition; the role of NTCs; and some Members' linking the agriculture negotiations to progress in other negotiating areas. The purpose of the overview paper was to summarise the main outstanding issues that need to be addressed. The salient points brought out in this overview paper were as follows.

Market Access

While there has been complete unanimity in the area of tariff reductions, there was some ambiguity about which reduction formula to use. There were two main proposals:

- A 'Swiss formula'-like approach — supported by the Cairns Group of agriculture exporting countries, the US, the Like-minded Group (LMG) of developing countries[4] and some others — which would bring down all tariffs to a maximum of 25 percent.
- A 'Uruguay Round approach', which is linear, i.e., the same percentage reductions no matter what the starting tariff rate is. This approach is proposed *inter alia* by the EU, Norway, Switzerland, Japan, Korea and Mauritius, as well as India.

Export Competition

There are some differences in the treatment of export subsidies. The Cairns Group, with the support of many non-Cairns developing countries, wants to phase out export subsidies within a three-year term (six years for developing countries), with an initial 'down payment' reduction of 50 percent. The US proposes a five-year period, but without the down payment reduction, while the EU suggests cutting export subsidies by 45 percent, and eventually eliminating them on certain products "provided that no other form of export subsidization, including export credits and deficiency payments, is given for the products in question by other Members." The Like-minded Group has called for exemptions for developing countries based on the provisions for special and differential treatment in Article 27 and Annex VII of the Agreement on Subsidies and Countervailing Measures. Cairns Group developing countries,

[4] LMG referred here includes countries like Cuba, Dominican Republic, Egypt, Honduras, India, Indonesia, Jamaica, Kenya, Malaysia, Mauritius, Pakistan, Sri Lanka, Tanzania, Uganda and Zimbabwe, as is the case here. However, recently, in the run-up to the Cancun Ministerial, references were also made to another Like Minded Group, often called "protectionist" which includes countries like Japan, Korea, Norway, Switzerland, Czech Republic, Hungary, Iceland, and Poland, which share similar kind concerns. Through out this paper, any reference to the LMG is a reference to the first set of countries, unless otherwise mentioned.

however, oppose this arguing that it would worsen distortions and damage South-South trade.

Two general approaches have emerged on how to discipline the use of export credits: first, a 'rules-based' approach proposed by the US and Cairns Group countries to determine which types of credit are on commercial terms, and which types should be outlawed (e.g., be bound and new ones forbidden). European Members such as the EU, Norway and Switzerland prefer a dual approach by establishing rules to determine which credits are on commercial terms, in which case they would be unrestricted. Other credits would be subject to the same reduction commitments as export subsidies.

Domestic Support

On Green Box support, the EU, Japan, Korea, Norway, Switzerland and Mauritius, known as the 'Friends of Multifunctionality', transition economies and a number of developing countries have called for more flexibility to pursue non-trade issues such as the environment, rural development, food security and animal welfare. On the other hand, Cairns and some developing countries such as India have demanded overall caps on Green Box spending (e.g. five percent of annual agricultural production), limits on specific types of programmes, or removing some income support programmes from the Box. Regarding trade-distortive support, the Cairns Group, the US, China, India and some others advocate the eventual elimination of the Amber Box, at least for developed countries that exceed their *de minimis* levels of support of five percent of agricultural production. Proposals have ranged from elimination for developed countries in three years (China) or five years (Cairns Group and Turkey) to reduction to five percent of production in five years plus an agreed date for elimination to be negotiated (US). The Cairns Group (except Canada) has also proposed that developed countries make an initial down payment reduction of 50 percent. In contrast, advocates of multifunctionality maintain that the Doha mandate only envisages 'substantial reductions' in Amber Box support, which the EU proposes to cut by 55 percent. Members also disagreed on whether the present system of reduction commitments based on total AMS should be maintained, (as suggested by multifunctionality Members) or whether new cuts should be made on a disaggregated, product- specific basis as proposed by the Cairns Group (except Canada). In addition, the liberalisers (the Cairns Group and other developing countries, as well as the US) want to move partly decoupled payments with production limitation requirements from the Blue Box into the Amber Box, which is subject to reduction commitments. The EU, Japan and Switzerland see the Blue Box as a staging post in the move away from trade-distorting subsidies and argue that it is necessary to allow reform to take place in their countries.

At the 22-24 January 2003 Committee on Agriculture (CoA) special session, Members met to discuss the overview paper on the modalities negotiations. Although the main goal of the special session was to "build bridges" to narrow the many wide gaps prevailing between Members' negotiating stances, little headway was made in bringing various sides together.

EU, Japan and Switzerland reiterated their concern that they were unable to table concrete numbers without prior agreement on agriculture rules as well as the

treatment of NTCs such as environment, food safety, and geographical indications (GIs).

The Cairns Group, India, China and some others suggested linking the three pillars under the Agriculture Agreement (market access, export competition, domestic support) so as to arrive at equitable negotiation results. Notably, Cairns Group members Chile, Malaysia and Thailand indicated that they would be willing to agree to a new special safeguard mechanism (SSM) for developing countries, adding, however, that they were only willing to accept a formulation that would strictly limit its applicability to certain products under tight conditions.

On 12 February, Harbinson submitted his first proposal for the establishment of modalities for the agriculture negotiations (*WTO, TN/AG/W/1)*. The draft was meant to be viewed against the backdrop of *"the difficulty participants have so far had in building bridges between widely divergent positions and the consequent lack of guidance on approaches to solutions"* (*WTO, TN/AG/W/1)*. In spite of the considerable divergence in views and the large number of unresolved issues, the Harbinson's first draft attempted a proactive approach. In some ways, the draft needed to be proactive given the almost stale-mate like situation that seemed to have been creeping in on the negotiating process, with almost no headway being made reaching any consensus. The first draft offered modalities options even in the most contested areas -- such as the formula for tariff reductions and the handling of Green Box support. However, square brackets were widely used in the draft, to propose figures for indicative purposes, to suggest alternatives, or possible formulations. It makes an attempt to address S&D treatment in most of the modalities items, as demanded by many developing countries, while no particular role has been assigned to agricultural NTCs on an across-the-board-basis as demanded by European Members, Japan, Korea, Mauritius etc.

Some salient features of the First Draft for establishing modalities were as follows:

Market access

On market access, Harbinson suggested a hybrid approach with elements from both the Uruguay Round and the 'Swiss' or 'harmonizing formula', leaving some flexibility in tariff reduction while cutting higher tariffs more than lower ones. Harbinson suggested a three-pronged approach: for developed countries, tariffs higher than 90 percent should be slashed by 60 percent on average, with a minimum cut of 45 percent, whereas those between 90 and 15 percent should be cut by 50 percent on average, but at least by 35 percent per tariff line. For tariffs from 15 percent downwards the respective numbers would be 40 and 25 percent. All tariffs would be reduced in equal installments within a five-year term. Developing countries, however, would be given a ten-year implementation period, in which they would be required to lower tariffs beyond 120 percent by 40 percent and 30 percent on average. For tariffs between 120 and 20 percent as well as 20 percent and lower, Harbinson suggests reductions of 33 and 23 percent, and 27 and 17 percent respectively.

Furthermore, developing countries would be allowed to denominate a number of "strategic products [SP] with respect to food security, rural development and/or livelihood security concerns," the tariffs of

which they would only need to cut by ten percent on average, but at least by five percent per tariff line. In addition, developing countries could take recourse to the existing special safeguard mechanism (AoA Article 5) for these SP products. The safeguard mechanism would be eliminated for developed countries.

Domestic support

According to the draft, the Green Box would be maintained in its existing format, but its discipline would be strengthened as repeatedly demanded by Members such as the Cairns Group of agriculture exporters. For developing countries, however, further flexibilities would be provided for the pursuit of food security and rural development objectives. Developed countries could also take recourse to an expanded AoA Article 6.2 Box (S&D Box), allowing them to provide subsidies to promote rural development. The Blue Box would be maintained, but its expenditures capped/bound and reduced by 50 percent over five years. Developing countries would be given S&D treatment. With regard to the Amber Box, the aggregate measurement of support (AMS) would decrease by 60 percent in five years for developed countries, and 40 percent in 10 years for developing country Members.

Export competition

The first draft proposed to phase out at least 50 percent of export subsidies within 5 years, whereas the rest would be reduced to zero in 9 years. Developing countries would be given ten years and 12 years respectively. With regard to the treatment of export credits, Harbinson distinguishes between financing support conforming to a set of detailed conditions, and non-conforming financing support, which would be "subject to specific financing reduction commitments".

This First Draft however, faced almost universal criticism and did not find favor with any of the WTO Members. While the US and the Cairn Group countries expressed disappointment with the draft, focusing on its lack of ambition regarding the proposed cuts in tariffs and trade-distorting support, the EU complained that the draft modalities were biased towards agricultural exporting countries such as the US and those of the Cairns Group. EU spokesperson stressed in particular that competition tools such as export credits and food aid, widely used by the US, would be subjected to laxer disciplines than those applying to export subsidies under Harbinson's draft. Moreover, the EU said the text does not sufficiently take into account agricultural NTCs such as environment and food safety. Japan rejected the draft as "unacceptable overall", contending that it "includes proposals which are incompatible with those of many nations" (*Bridges, Vol. 7, No. 6)*. For their part, developing countries such as India, Kenya and Nigeria welcomed Harbinson's proposal, noting that it would provide poorer countries with the flexibilities they needed to address their developmental needs. India welcomed the proposed negative-list approach by which developing countries could exempt a number of "strategic products" from general reduction commitments, as well as new flexibilities with respect to domestic support. However, India rejected the ten-year tariff reduction period for developing countries, regarding it as too short. (*Bridges, Vol. 7, No.6)* The "proactive" nature of the draft against the general diffidence that existed in terms of achieving some sort of negotiating common ground provoked some reaction, although, expectedly, a wide and huge diversity of views remained

on how to set parameters for further reducing agricultural tariffs, export subsidies and trade-distorting domestic support.

In the aftermath of the criticism received for the first draft, not much progress was made when the WTO Members next met on 24-28 February 2003, for a negotiating session of the CoA. The purpose was to review the draft in an effort to find a solution to the many contentious issues. But there was no movement forward. At this stage itself, there were some signs that negotiators were getting ready for what could be a long drawn out negotiations, much beyond the 31st March deadline.

Most Members had problems with the section of Harbinson's draft dealing with market access. Switzerland along with Bulgaria, Chinese Taipei, Israel, Iceland, Liechtenstein, Mauritius and Norway (i.e. those nations having the biggest problems with ambitious reduction commitments) reiterated their position of striking a balance between trade and non-trade concerns. Expectedly, the EU and Japan made similar statements. Moreover, Small Island Developing State (SIDS) Mauritius presented a list supported by 75 'Friends of the Uruguay Round Formula' that called on Harbinson to revert to the linear tariff reduction method used during the Uruguay Round (i.e. cutting tariffs by 36 percent on average, with a minimum cut of 15 percent per tariff line). Among others, the Uruguay Round formula camp includes European countries, EU accession countries, African, Caribbean and Pacific (ACP) countries, Japan, Korea, and -notably- India. Other key developing countries such as China, Egypt and Pakistan indicated that they could only subscribe to a harmonizing or Swiss approach (as promoted by Cairns and the US) if they would be either exempted from this reduction model or if developed countries would agree to harmonised reductions in subsidies as well.

On 18 March Harbinson issued a revision of his first draft modalities (*WTO, TN/AG/W/ Rev. 1*). While the main features of the original draft remained largely unchanged, some pro-developing country modifications have been made, for example with respect to market access, a new special safeguard mechanism (SSM), and trade preferences.

The US, and Cairns Group leader Australia rejected the revised draft as not being ambitious enough. Japan, a 'Friend of Multifunctionality,' criticised the revised paper as being too similar to the original. The EU and Switzerland underscored that it remains unbalanced, EU complained about the exclusion of non-trade concerns and a peace clause from this draft.

The revised first modalities draft left the core elements of the original approach on new commitments with regard to market access, export competition and domestic support untouched. Despite hefty criticism from the 'Friends of Multifuntionality', the Harbinson draft left open the question of how NTCs could be addressed, pointing out that NTCs have been covered under various heads of the draft.

In the revised draft, several modifications have been made with respect to S&D treatment for developing country Members. Regarding market access, Harbinson added a further tariff band to his original three-pronged tariff reduction model. According to the revised modalities draft, the original tariff band ranging from 120 to 20 percent (with an

average cut of 33 percent, and a minimum cut of 23 percent) would be split into a 120 to 60 percent as well as a 60 to 20 percent category, with average cuts of 35 and 20 percent and minimum cuts per tariff line of 20 and 15 percent, respectively. In addition, the tariff reductions would be less in the 20 percent downwards band (25 percent average, 15 percent minimum cut) as compared to the earlier proposal (27 percent and 17 percent). Furthermore, due to progress on a new SSM for developing countries, the original proposal providing that this new SSG would be restricted to only a few "strategic products" denominated by developing countries has been dropped.

Prior to the earlier agreed 31st March 2003 deadline, a number of new ideas were put forth. The US, for example, proposed a new "banded approach" in the reduction of Amber Box (trade-distorting) support. This model would be similar to the formula used by Harbinson in the context of market access expansion. A group of 12 developing countries - including India, Cuba, the Dominican Republic, Honduras, Indonesia, Korea, Nigeria, Turkey, Peru, Philippines, Sri Lanka and Venezuela - introduced its approach to the concept of 'strategic' or 'special' products. The group is, inter alia, of the view that only a "number-based on self-declaration" of products to be excluded from general tariff reduction commitments could effectively address developing country concerns related to food security, rural development and livelihood security. Moreover, according to the alliance, the provision of flexibilities for 'strategic' products should be extended to all pillars, including domestic support and export competition.

The 31st March 2003 deadline was missed due to lack of convergence. There were subsequent attempts to work out the modalities before the Cancun Ministerial. The CoA met for technical consultations on a possible new special safeguard mechanism for developing countries. Despite comprehensive discussions, nothing new emerged in outlining the form or scope of such a mechanism. One notable shift in conventional position came from USA, who showed some interest in developing such a SSG mechanism for developing countries, which was a departure from its usual opposition to such an idea. However, US would only accept a new safeguard that would not be accessible to certain developing country Members, such as exporters of a specific commodity or countries with per capita incomes beyond a certain benchmark.

With regard to SP and SSM for developing countries, there still remain differences in deciding the criteria for SP; Latin American and the Cairns' Group of countries have stated that the proposal of certain countries for self-declaration as being protectionist in nature. Instead, these countries proposed that both the SSM and SP should have agreed criteria, and that they should be used as an incentive to liberalise. These proposals lead to some confusion among developing countries regarding whether the SP concept would ultimately be retained in the final modalities, or whether it could become redundant if Members chose the UR formula as the approach to tariff reductions. In the latter case, Members would be provided with sufficient flexibility to enter into very modest reduction commitments on sensitive or 'special products'.

In a report (*TN/AG/10*) presented to the Trade Negotiations Committee in the first week of July, it was noted that achieving

the modalities for negotiations remained elusive. With regard to SP and SSM for developing countries, the report states, "*in tandem with the tariff reduction formula to be agreed, participants should decide whether the concept of SP products should be retained*"(*TN/AG/10*).

In the final run-up to the Ministerial, the US and EU presented a 'Joint Text' for establishing modalities *(EC-US Joint Text).* This text does not contain any numbers for reduction and proposes a "blended" market access formula that combines both the Uruguay Round (UR) formula (which could be applied to some "import sensitive" products) and the Swiss formula.

On S&D treatment for developing countries, the text offers lower tariff reductions and longer implementation periods. It does not mention the concept of special products, instead introduced the concept of "import sensitive" with lower tariff reduction commitments under normal S&D treatment for developing countries. The text also limits the eligibility of a new special safeguard mechanism (SSM) for developing countries to "import sensitive" products, while noting that the current special agricultural safeguard (SSG) "remains under negotiation".

On domestic support, the text introduces new categories and differentiates between "trade-distorting domestic support," which would be reduced, and "less trade-distorting domestic support" which would be limited to five percent of total agricultural production. This new category matches the current Blue Box, with the significant difference that it does not require production limitations (set asides) or other supply management programmes (*Bridges, Vol. 7, No. 28)*. The joint EU-US text does not at all address the Green Box. As per the text, export subsidies would be eliminated over a certain period on "products of particular interest to developing countries," while remaining subsidies would be merely reduced. Export credits would be eliminated or reduced in parallel to the proposed commitments for export subsidies.

The EC-US text infused some movement in the negotiations process, but did not go very far in resolving the divergent positions. Following the EC-US text, six countries from the new like-minded group (the 'protectionist' group which includes Japan, Korea, Norway, Switzerland etc.) tabled an alternative joint text. The "G-20" (later G-21, and also, G-22) or the group of twenty countries, including India, presented another joint proposal for framework. This proposal follows the basic structure of the EU-US Joint Text, but calls for a significantly higher level of reductions in all three areas of negotiation. With regard to market access, the proposal uses a blended formula, but modifies the UR element by suggesting a simple uniform tariff cut (instead of average reduction plus minimum reduction per tariff line). Tariff rate quotas would be expanded, and in-quota tariffs reduced to zero. The current SSG "shall be discontinued". In return, developing countries would be given a new SSM, the scope of which would "depend on the impact of tariff cuts" required from developing countries. In this respect, developing countries would have access to the UR formula across the board, with the option to establish special products "under conditions to be determined in the negotiations". This also marked a shift in the Cairns Group position, (some Cairns Group countries too are a part of the G-

20), as this group has been reluctant to agree to significant flexibilities for developing countries in the area of market access. On domestic subsidies, the developing countries reiterated earlier proposals such as scrapping the Blue Box and capping the Green Box. This text also introduced a differentiation between trade-distorting subsidies in general (which should be reduced) and domestic support on products designated for export, for which Members should envisage total elimination. Export subsidies would be phased out using a two-pronged approach along the lines of the modalities set out in the Harbinson drafts, and export credits and food aid would also be disciplined.

Finally, on 31st August 2003, the draft Cancun ministerial text, with an annex containing a framework for establishing modalities in agriculture was circulated (*JOB (03)/150/Rev.1)* by General Council chairperson Carlos Pérez del Castillo and Director-General Supachai Panitchpakdi to the ministers. While following the EC-US text in structure, it borrowed from the other proposals as well and included a substantial section on S&D treatment for developing countries. The text did face some criticism in subsequent meetings, but remained unchanged in its contents and was presented in its current form to ministers at Cancun. As per this draft, with regard to market access, the three-part blended formula (Uruguay Round/Swiss formula/zero duty approach) would apply for developed countries, with maximum tariffs or negotiated tariff rate quota expansion, as proposed in the US-EC text. The draft also requires countries to deal with tariff escalation (as proposed e.g. by the G-20 and the Swiss group of six countries). It also adds S&D provisions, including a 'special products' (SP) category with smaller tariff reductions and no new commitments on TRQs. The overall approach for developing countries tariffs would be either a three-band Uruguay Round approach or a blend of the Uruguay Round and Swiss formulas, without a zero duty category, which would be "subject to conditions and for products to be determined".

With regard to reducing domestic support, the draft uses the model from the US-EC paper, with some differences such as different base periods (leading to more ambitious reduction targets), and a linear reduction of payments under the modified Blue Box even below five percent of the value of total annual agricultural production. According to the new draft, "Green Box criteria remain under negotiation". Reductions of Amber Box support would be made in an aggregated i.e. not product-specific - manner, and would not be harmonised (as suggested by the G-20). There would be no distinction between products exported and those supplied to the domestic market (as proposed by the G-20, Norway and to a lesser extent the Swiss group of six).

Export subsidies would be eliminated on some products "of particular interest for developing countries," while the rest would be reduced "with a view to phasing out". This latter phrase is absent from the US-EC paper, while the G-20 called for elimination in both groups. There would also be negotiations on "the question" of a date for phasing out all export subsidies, which was not included in the US-EC paper. Subsidised export credit and food aid would be treated in parallel with export subsidies.

The Fifth Ministerial therefore took off amid widely divergent positions and no signs of consensus. At the Cancun

Ministerial (10-14th September 2003), a further revised Ministerial draft *(WTO, JOB (03)/150/Rev.2)* was presented on 13th September, against the background of persisting diverse positions and lack of consensus. On agriculture, the revised text did not add much. The main points where it departed from the original were as follows. On domestic support, it added provisions capping product-specific Aggregate Measurement of Support (AMS) levels to their average levels during a reference period that remains to be determined. This was in response to the key demand of the G-21 countries that Amber Box reductions be product-specific. On market access, the major change was the addition of bracketed text creating a minimum level of overall tariff reductions across all agricultural products. Bracketed text has also been included that would provide additional flexibility for developed countries for "a very limited number of products to be designated on the basis of non-trade concerns". The draft identified measures for special and differential treatment (S&D) of developing countries, including new language on special products. While the G-21 had proposed formula cuts only for industrialised countries, the draft does propose applying formula cuts to an (unspecified) percentage of developing country tariff lines. On the issue of export competition, there was just an emphasis on the need for reforms of export subsidy and export credit programmes to move in tandem. In deference to a major demand of the EC, the revised draft contained language that proposed the extension of the peace clause for a period, the length of which remains to be determined.

However, the revised draft was not acceptable to any of the Members. The Cancun Ministerial Conference ended abruptly without consensus on any of the items on its agenda. The reasons for this breakdown were the strong divisions in positions over agriculture and over the launch of negotiations on the Singapore issues[5]. Every single Member disagreed with major aspects of the agriculture draft. The EC objected to the capping of the blue box and made clear it would not accept the elimination of export subsidies except for products (to be determined) of particular export interest to developing countries. The G-10, which comprises such Members as Japan, Korea, Norway and Switzerland, called the draft far too ambitious. The G-22 (earlier G-20), led by India, Brazil and China, were of the view that the draft did not go far enough, particularly as it allowed continued blue box support, did not clearly spell out the total elimination of export subsidies, and extended the peace clause. According to a one-page Ministerial Statement *(WTO, WT /MIN (03) / W / 24)*, which was the only official document to emerge from the Conference, a meeting of the WTO General Council at Senior Officials level will be convened no later than 15 December 2003 "to take the action necessary at that stage to enable us to move towards a successful and timely conclusion of the negotiations."

[5] The revised draft Ministerial Text sought to launch negotiations on three of the "Singapore Issues" viz. transparency in government procurement and trade facilitation (to begin immediately after the Cancun meeting), and on investment (following further clarification), but not on the fourth area, competition.

IV. LESSONS FROM THE URUGUAY ROUND EXPERIENCE AND IMPLICATIONS FOR NEGOTIATIONS

By including trade issues related to agriculture for the first time, the Uruguay Round provided a framework for a long-term reform of agriculture trade and domestic policies with the objective of increasing market orientation in agricultural trade and improving predictability and stability for importing and exporting countries. The concerns of the developing countries, net food-importing countries and least-developed countries were supposed to have been taken into account in the agreement. The Agreement on Agriculture (AoA) aimed at reducing effects of trade distorting agricultural policies of various countries and allowing greater influence of market forces in trade through reforms in commitments on support and protection. Agricultural liberalization, to be achieved through conversion of non-tariff barriers into tariffs, reduction in overall levels of tariffs, reduction in aggregate measure of support and reduction in export subsidy expenditures was supposed to result in better market opportunities for efficient producers. However, the impact of the Uruguay AoA has been observed to be limited *(Braun et al 2002)* and often adverse for developing countries.

Since the UR Agreement was arrived at through the active participation of mainly the developed countries, the seemingly fair Agreement was inherently very much in favour of developed countries. The Agreement sought to freezing and then reducing but not eliminating high levels of subsidies provided mainly (more than 95 percent) by the developed countries. So the providers of subsidies could continue to support their farmers where as others, mostly the developing countries, could not initiate any new subsidies to support their agriculture. In addition, the loopholes in the Agreement were also fully exploited by the developed countries to keep their support level high. Most developed countries established new base tariffs that reflected even higher protection than had been provided by the non-tariff barriers (NTBs) they replaced. Some countries also used "dirty tariffication," *(Ingco, 1996)* to maintain high levels of protection[6]. The conversion of non-tariff barriers into tariffs required the calculation of tariff equivalents of NTBs in a chosen reference period: 1986-88. In principle, countries subject to tariffication were to set initial base tariffs to be applied in the first year of implementation so that the resulting protection would be equivalent to the nominal protection in the base period. This base period coincided with very low world

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[6] Anderson (2001) points out that the claimed tariff equivalents for the base-period 1986-88 are in many cases higher than the actual tariff equivalents of the time; therefore the initial tariff bindings tended to be higher. Anderson calculates the extent of dirty tariffication by expressing base tariff as a ratio of actual tariff equivalent in the base period. Based on this, it is estimated that the European Union, on an average, set its initial bindings at about 60% above the actual tariff equivalents of the CAP in recent years, while the US set theirs about 45% above recent rates. The highest amount of dirt tariffication occurs in wheat, rice, coarse grains and dairy products.

Ingco (1996a) estimated that the specific and ad valorem tariffs which many countries had in their schedules were significantly higher than the "wedge" between actual domestic and world market prices in the base period (which was a period of high agricultural support and protection), hence affording higher protection than prevailed in 1986-88. Ingco further states that dirty tariffication occurred in most countries in the sensitive sectors of dairy, sugar and grains etc.

prices and generally high levels of agricultural support in the developed countries, resulting in higher protection than if tariff equivalents had been based on another, more representative period. This was most common for "sensitive" commodities, such as grains, sugar, meat, and dairy products. Agricultural sectors that are highly subsidized by the developed countries such as meat, milk, and sugar, were not or hardly liberalized and sectors with low protection rates such as fruits, vegetables, and oilseeds were opened up significantly more. For example, even now Canada has 98 tariff lines with more than 50 percent tariff, with some products from the milling industry reaching equivalent rates of up to 530 percent *(Jank et al, 2003)*. On some tobacco products the US has up to 350 percent tariff. In EU, the tariff on milk and cream is 470.9 percent. Eight members including quad members have 20 to 50 percent of their tariff bindings as non-ad *valorem* duties and these duties provide very high levels of protection. Even after implementation of the Uruguay Round Agreement by 2005 and including the entry of Taiwan and China into the WTO, the extent of the distortions in the agricultural sector will far exceed the distortions in other sectors *(Braun et al 2002)*. As a result of the transformation of NTBs into tariffs, the agricultural tariffs in developed countries will exceed tariffs for textiles and clothes, being the highest protected industrial branch, by two and a half times. Therefore, the Agreement has led to very limited improvement in market access conditions. The Aggregate Measurement of Support in which domestic support reduction commitments were also applied on aggregate basis allowed the developed countries to retain high levels of support by effecting lower reduction in sensitive sectors. Apart from these structural weaknesses, the Agreement on Agriculture fell far short of expectations because of late or inadequate implementation of certain commitments, introduction or maintenance of non-tariff border measures. Overall, the AoA has opened significantly lower additional export and development opportunities for agricultural export-oriented developing countries than expected from the nominal reduction obligations.

Market Access

High average tariffs characterize the agricultural markets in general. While developing countries have a higher average tariff as compared to the developed countries, the tariff schedules of the latter are such that higher protection is granted to sensitive items. The global average tariff on agricultural products is 62 percent and is much higher than those on manufactured items. Considerable variation exists in tariff levels across regions *(Gibson et al, 2001)*. Average tariffs for WTO members by region range from an *ad valorem* tariff equivalent of 25 percent to 113 percent. For most of the developed country groupings, the regional tariff aggregates are among the lowest. The main exceptions to this trend are the non-EU countries of Western Europe, which include Norway, Switzerland, and Iceland. Each of these countries have relatively high average tariffs, at 142, 120, and 113 percent, respectively. Like North America, the EU-15 also registers a relatively low average regional tariff, at 30 percent. However, tariffs for Japan and Korea average at 58 percent and 66 percent, respectively. Most of the remaining countries in the Asia-Pacific region maintain tariffs of 25 to 45 percent. North America has the lowest regional tariff at 25 percent. The average tariff for the United States is 12 percent, among the

lowest in the world *(Gibson et al, 2001).* Although average bound tariff for India is 115.7 percent, the applied tariff average around 30 percent.

In the three European regional groupings, as well as in North America, North Africa, and the Asia-Pacific region, there is a high dispersion rate across commodities. In particular, tariffs greater than the overall average tariff on agriculture of 62 percent are found in the meat, dairy, sugar, and sweetener categories. In addition, in some regions, comparatively high tariffs are recorded for tobacco and oils. Average tariffs on some sensitive groups are above the global agricultural tariff rate of 62 percent. These commodity groups are made up of tobacco, dairy, meats, sugar, sweeteners, and several categories of vegetables, grains, grain products, and breeding animals.

TRQs are associated with high tariffs and sensitive sectors, as might be expected from their relationship with products previously protected by non-tariff barriers. The average over-quota tariff of 128 percent is double the average for all agricultural products. Many of the high over-quota tariffs for TRQs appear to reflect countries' objectives to protect sensitive agricultural sectors. Japan and Korea, schedule over-quota rates that average above 300 percent. EU has an average over-quota rate of 78, US of 52 and Canada of 139. The estimated average in-quota tariff of 63 percent is 1 percentage point above the global average for all other tariffs *(Gibson et al, 2001).* These rates would seem to contradict the spirit of the agreement, indicating the need to negotiate some disciplines on these tariffs as well *(Gibson et al, 2001).*

Although in-quota tariffs were designed to provide market access for a limited quantity of imports at relatively low tariffs, in practice, in-quota tariffs were also scheduled at very high levels. The ratio of the average tariff for all tariff-lines compared with the average for only the over-quota TRQ lines supports the expectation that TRQs generally protect sensitive sectors. Canada's TRQs protect mainly the dairy and poultry sectors. With the highest average over-quota rate at 388 percent, Japan's over-quota rate is seven times higher than its overall average. While potentially posing a barrier to its markets, Japan's in-quota average of 22 percent represents a small fraction of the over-quota rate.

Protection in OECD countries is concentrated in a few sectors: grains, dairy, livestock, sugar, and sweeteners. Non-OECD countries have overall high rates of protection with less variation across commodity groupings. These countries have high protection on the same commodities as OECD countries, but tobacco stands out with the highest average tariff for non-OECD countries and dairy stands out with the highest mean in OECD countries. Dairy also has the largest number of OECD and third largest number of non-OECD countries with high means. Sweeteners and frozen meat also have high means across a large number of countries. OECD countries use megatariffs *(Gibson et al, 2001)* (defined as tariffs of 100 percent or higher) in a limited number of commodity groups, but have TRQs in all but two commodity groups. The concentration of megatariffs among the familiar sensitive sectors is another manifestation of high protection for a few (albeit large) sectors. The number of TRQs notified by OECD countries is also concentrated in a few sectors. However,

TRQs are found in at least one region for most commodity groups, indicating that sensitive products exist across the agricultural sector. Non-OECD countries rely on megatariffs for protection along with more selective application of TRQs. Non-OECD, or developing countries, often apply tariffs far below these high, bound rates. The weighted average (1996-99) of applied rates of tariff for developing countries has been calculated as 18.1 percent, much lower than the average bound rates. This phenomenon is true in the case of India as well. The average applied rates of tariff for agricultural products for India for the year 2001-02 was 41.7 percent, which is much lower than the bound rate *(WTO, WT/TPR/S/100)*.

Overall, different patterns of protection between OECD and non-OECD countries emerge. OECD countries have higher rates on "traditional" agricultural sectors, such as dairy, livestock, and sugar, while non-OECD countries have high tariffs across most commodities. Both OECD and non-OECD countries provide extremely high protection to a few commodities. However, as a result of tariffication, OECD countries apply more TRQs than non-OECD countries. Non-OECD countries use megatariffs more than OECD countries. Many of the megatariffs associated with developing countries were not subject to reduction under the Uruguay Round because they were established as ceiling bindings *(Gibson et al, 2001)*.

The share of developing country exports in global agricultural trade increased only slightly over the period 1990-99, from 40.5 percent to 43 percent *(Wilson, 2001)*. Trade barriers faced by developing countries in other developing countries remain higher than those faced in industrialized countries. Average agricultural tariff rates faced by developing countries in other developing countries is 18.3 percent as compared to 15.3 percent in industrialized countries *(Hertel & Martin, 2000 in Wilson, 2001)*.

Another problem which has been found with the tariff reduction system is that although many industrial countries may have low or essentially no tariff for raw agricultural goods, they often apply tariffs at increasing rates to goods at higher stages of production ("tariff escalation"). Tariff escalation potentially signals high rates of protection for value-added or processed products, and can inhibit international trade in these goods. Tariff escalation is most evident in the schedules of Eastern Europe and the Middle East, followed by North America, South Asia, and the EU. In Eastern Europe, tariffs tend to escalate by at least 10 percentage points in all but three processing chains. The largest example of escalation, however, is for sweeteners in North Africa, where the mean tariff increases by over 100 percentage points over those on sugar beets and sugarcane. Processed products in which escalation is most pronounced include meats, sweeteners, and vegetable oils.

The complexity of many countries' tariff and TRQ schedules poses barriers to understanding the nature of protection. The lack of transparency associated with non-*ad valorem* tariffs hides the actual level of protection being provided. This is particularly true of compound tariffs or those based on complex technical factors. The result is difficulty in comparing protection across countries or commodities, which hinders the process of negotiating tariff reductions. One of the goals of the next negotiations might be to

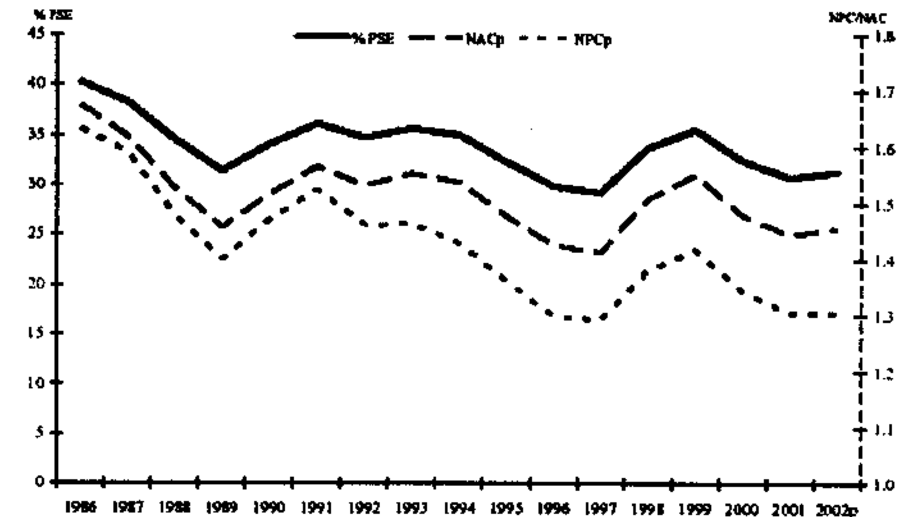
increase certainty and transparency by formulating stricter rules on the submission of tariff and TRQ schedules.

Domestic Support

In 1999, total support to agriculture reached an estimated USD356 billion, or 1.4 percent of GDP for the OECD as a whole *(Braun, 2002)*. The level of support to farmers in OECD has not changed since 2000. Despite some major policy initiatives in 2002 there were no notable changes in the main policy instruments in most countries. Support to farmers (PSE) in OECD countries reached USD 235 billion (EUR 249 million) in 2002, which is around the same level as in 2001. This support represented 31 percent of total farm receipts (percent PSE) in the OECD countries (Figure 1), the same as in 2001 (*OECD, 2003*). Prices received by OECD farmers in 2002 were on average 31 percent above world prices, (30 percent in 2001). The Total Support Estimate (TSE) amounted to USD 318 billion (Euro 338 billion) in 2002 *(OECD, 2003)*. Around three-quarters went to producers while 17 percent went to general services - sector-wide policies and institutional services such as research, education, inspection and control, and marketing. TSEs for many countries are greater than 1 percent of their GDP (Annexure IV). EU countries, Japan, Iceland, Korea, Norway and Switzerland have much higher PSEs even within the OECD countries (Annexure II).

Production-linked support is still dominant in the OECD countries. The share of output-based support (market price support and output payments) and input subsidies remained at 76 percent of producer support in 2002 (Annexure III). These measures are among the most production and trade distorting, and are the least effective in transferring income to farmers or in targeting the provision of environmental benefits. The reduction in the most distorting forms of support in some countries has been accompanied by the introduction of other forms of support, which are potentially less distorting. Yet, the magnitude of such support is so high in EU and USA that they have similar distortion effect on production and trade.

Fig 1: Producer Support Estimate (percent PSE), Producer Nominal Coefficient (NPCp) and Producer Nominal Assistance Coefficient (NACp) for OECD Countries
1986-2002

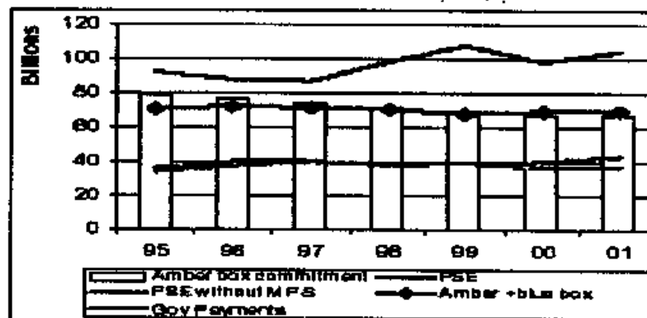


p: provisional.
Source: OECD PSE/CSE database, 2003

Reproduced from OECD, 2003

It is clear from Figures 2A and 2B that the support levels to agriculture in EU and US have not reduced since the implementation of UR began in 1995. In fact we observe increasing trend of PSE in both EU and US. On a per ha basis the producer support estimate in EU is more than Euro 700 and in US it is around $125 (Figures 3A & B). In both the cases there is an upward trend in the producer support estimate. On per farm basis the support was more than Euro 15,000 in 2001 and in US it was around $23,000 (Figures 4A and B). A comparison of the level of protection as measured by the amber box subsidies with the producer support estimates suggests that while amber box commitments have been fully utilised in the recent years, the support levels in other forms have also been increasing.

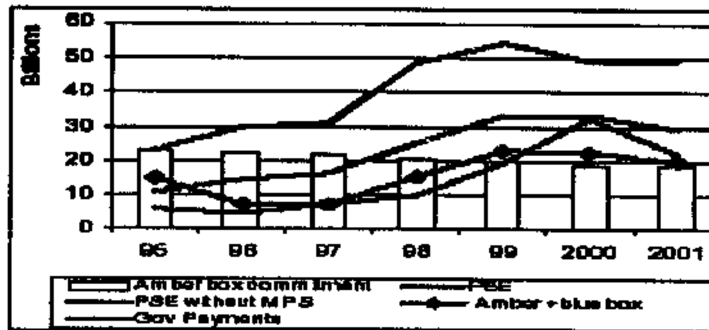
Fig 2A: EUROPEAN UNION: COMPARING DOMESTIC SUPPORT MEASURES (Euro)



Note: Amber box includes "*de minimis*". Forecasts for 2000-01
Source: WTO, OECD, European Commission, FAPRI.

Reproduced from Jank et al (2003)

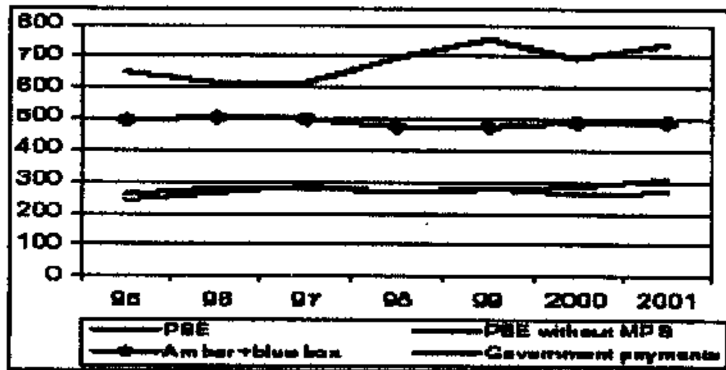
Fig 2B: UNITED STATES: COMPARING DOMESTIC SUPPORT MEASURES (US$)



Note: Amber box includes "*de minimis*". Forecasts for 1999-01
Source: WTO, OECD, USDA-FSA, FAPRI.

Reproduced from Jank et al (2003)

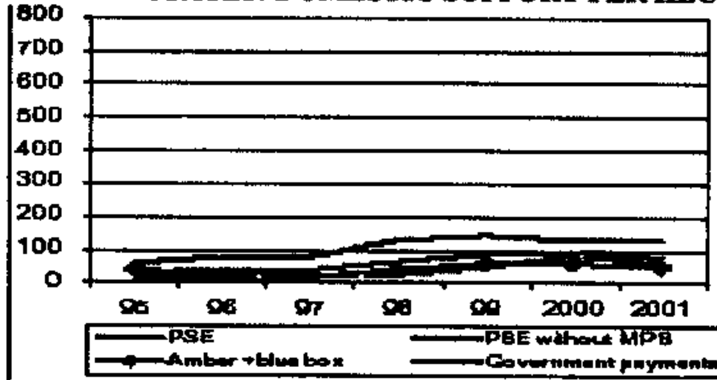
Fig 3A: EUROPEAN UNION: DOMESTIC SUPPORT PER HECTARE (Euros)



Note: Amber box includes "*de minimis*". Forecasts for 2000-01
Source: WTO, OECD, European Commission, FAPRI, FAO.

Reproduced from Jank et al (2003)

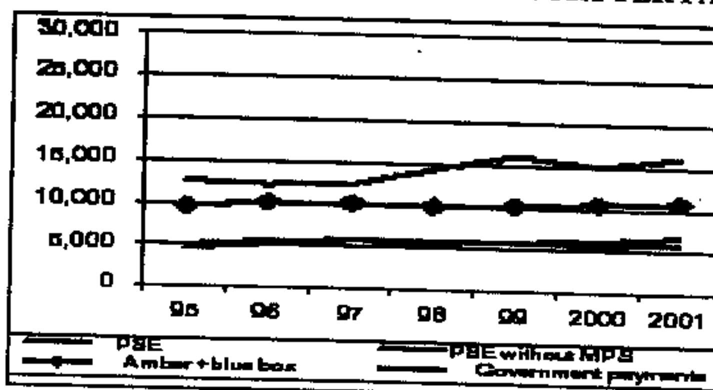
Fig 3B: UNITED STATES: DOMESTIC SUPPORT PER HECTARE (US$)



Note: Amber box includes "*de minimis*". Forecasts for 1999-01
Source: WTO, OECD, USDA-FSA, FAPRI.

Reproduced from Jank et al (2003)

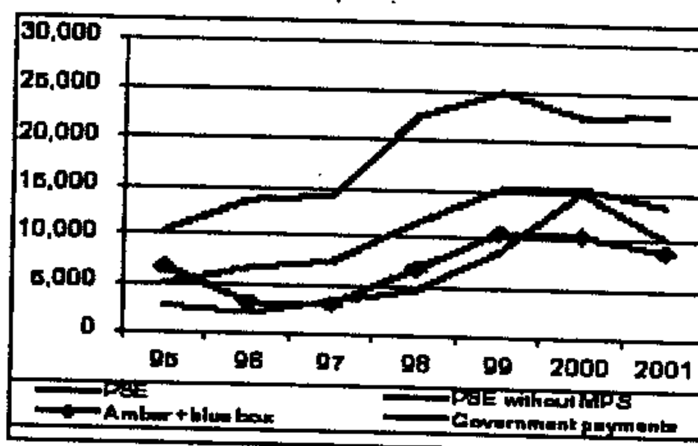
Fig 4A: EUROPEAN UNION: DOMESTIC SUPPORT PER FARMER



Note: Amber box includes "de minimis". Forecasts for 2000-01
Source: WTO, OECD, European Commission, FAPRI.

Reproduced from Jank et al (2003)

Fig 4B: UNITED STATES: DOMESTIC SUPPORT PER FARMER (US$)



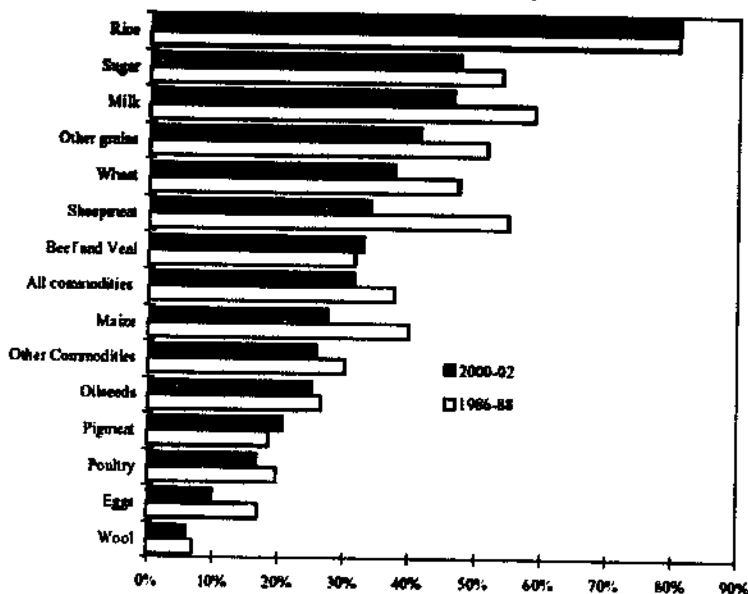
Note: Amber box includes "de minimis". Forecasts for 1999-01.
Source: WTO, OECD, USDA-FSA, FAPRI.

Reproduced from Jank et al (2003)

There is also wide variation in the levels of support and protection across commodities. Compared with 2001, support to producers in 2002 increased for sugar, milk, wool, while it decreased for maize, rice, oilseeds *(OECD 2003).* Compared to the reference period 1986-88 there is only a marginal reduction in the support levels to the major commodities (Figure 5). The support as a percentage of gross farm receipts is more than 35 percent in the case of rice, sugar, milk, coarse grains and wheat. In the case of rice the support level is around 80 percent and has remained unchanged since the reference period. The commodity wise break up of support in terms of amber and blue box and PSE is shown in Annexure VIII A and VIII B.

Fig 5: Producer Support Estimate by commodity

(OECD average as % of value of gross farm receipts



Source: OECD PSE/CSE database, 2003.

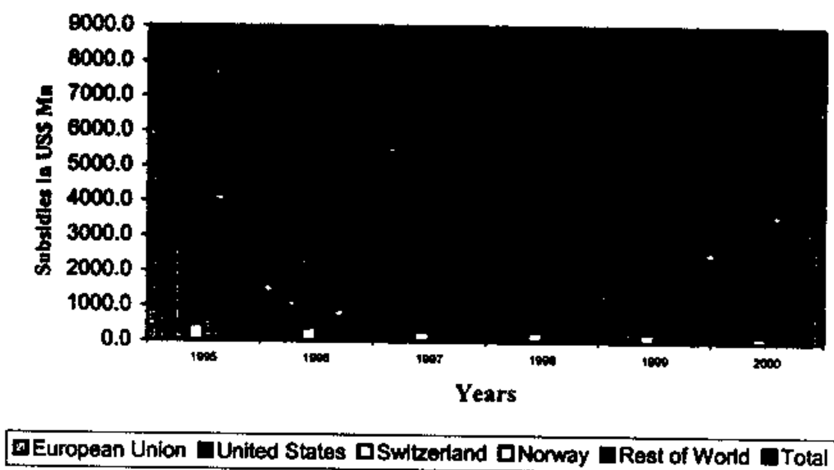
Export Competition

The levels of export subsidies have reduced during 2000, but remain substantial (Figure 6). Moreover, reduction in export subsidies by more than 50 percent in 2000 (Table 2) does not indicate that export subsidies will be lower in the future as the agricultural prices were rising during that year as compared to the previous years. Further, the ceiling on export subsidies for EU and US is much higher than the levels of export subsidies actually utilized (Annexure V) and were ECU 9400 million and USD 600 million in 2000 *(Gorter et al, 2002)*. Even in 1998, when EU paid out a higher level of export subsidies (Figure 6), it accounted for just 29.5 percent in terms of value and 83.3 percent in terms of volume of WTO commitments for wheat *(Elbehri, 1999)*. These export subsidies continue to distort world markets *(World Bank 2003)*. Therefore, smaller reductions in ceilings such as the one used in the Uruguay Round will still leave the current level of subsidies intact and continue to distort world markets. Additional distortions also occur due to the subsidy elements in export credits and export restrictions, which are not accounted for in the traditional measures of export subsidies. Even though export subsidies may have reduced over a period of time, their beneficial effect is mitigated by the fact that domestic support has been increasing, thus providing *"effective export subsidies" (World Bank, 2003)*. For example, currently cotton is not classified as receiving export subsidies. (Table 3 below gives commodity wise export subsidies available from all WTO members; cotton is not in the list). Its domestic and export prices in the United States and European Union are the same, which are less than half the cost of production *(World Bank, 2003)*. This gap, which exists for other commodities as well, is made up for by the use of domestic support. In the case of cotton, US accounts for approximately one half of the world's total production subsidies for cotton. Any reduction in export subsidies is merely a formality, and

any real attempts to remove the distortions in agricultural trade must reduce domestic support as well.

Under the existing US policy, the cost of producing major crops has been much higher than the prices realized for them. In the year 2001,market prices were 23 percent below the cost of production for corn, 48 percent for wheat, 32 percent for soybeans, 52 percent for cotton, and 45 percent for rice *(Ray et al 2003)*. Even with the subsidies added to market income, returns for wheat, soybeans, and cotton were still well below the cost of production (19 percent for wheat, 12 percent for soybeans, and 27 percent for cotton). The low US prices exert a downward pressure on world commodity prices. Low prices affect every other country, especially those driven by trade liberalization to reduce domestic and border protections for their agricultural sectors. US is one of a few major players in the oligopolistic world markets, and therefore low US prices consistently drive down world prices *(Ray et al 2003)*. As an acknowledged price leader in several key commodities and a major agricultural exporter, the US has played a dominant role in agricultural trade throughout much of the past 50 years, particularly in corn, wheat, cotton and oilseeds. The persistent low corn, wheat and cotton prices in the US are indicative of world price trends for major grains, rice, and cotton. Ray et al (2003) point out that observation of the behaviour of corn and rice is enough to conclude that the US impacts world prices, whether or not it is dominant by volume in a particular commodity. They have found a strong correlation between the US prices and world prices for the years 1976-1999 for corn and for the years 1984-1999 for rice. Low US prices also displace exports and production from other countries. This affects all commodities somewhat but is most visible for cotton and rice.

Fig 6: Export Subsidies



Source: Economic Research Service (ERS) calculations from WTO export subsidy notifications http://www.ers.usda.gov/db/wto/

Table 2 Total export subsidies by commodity category, 1995-2000 (US$ million)						
Commodity category	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Wheat	169	403	198	563	531	150
Coarse grains	420	494	306	865	772	231
Rice	55	98	36	29	28	29
Oilseeds	83	50	10	3	1	35
Fruits and vegetables	166	126	98	90	82	73
Sugar	516	693	899	913	510	363
Milk products	2547	2671	1939	1993	2245	1265
Wine	81	88	47	36	27	22
Beef	2010	1947	950	733	808	353
Pork	136	94	95	404	291	34
Poultry	189	112	108	129	102	68
Other meats	12	11	7	2	3	2
Livestock	27	13	4	0	1	2
Tobacco	26	405	1	1	0	0
Processed products	779	842	710	748	841	468
Other agricultural products	109	205	150	162	255	112
Total	7327	8253	5558	6668	6496	3206

Source: Economic Research Service (ERS) calculations from WTO export subsidy notifications http://www.ers.usda.gov/db/wto/

Gains from Liberalization

The consequence of subsidy elimination for a commodity would be to reduce supply, and therefore increase the world price of that commodity. However, the magnitude of the price increase depends upon the extent of subsidised production and exports relative to the total volume of trade. Table 3 below gives the level of subsidies, measured by the producer support estimates, available to some principal commodities in EU and USA. The level of support thus measured remains very high for wheat, sugar and rice. As compared to the base period of 1986-88, the total PSE to wheat in EU has gone up. For sugar, the amount of subsidy has gone down only marginally. Over all, the level of support remains very high.

Most of the commodities that receive the highest level of subsidies in EU or USA are also very important export commodities (e.g. sugar and cotton) in the world market. USA and EU are among the top 5 net exporters of these commodities (Annexure VI). Figures 7-10 illustrate US, EU and India's share in world production and exports for these commodities. As far as wheat is concerned, the EU share has been growing over the period, and the US and EU share combined accounts for over 25 percent of the world production of wheat. (See also Annexure X-XIII) The EU share in total world exports of wheat has also been on the rise, and US and EU together accounted for over 35 percent of

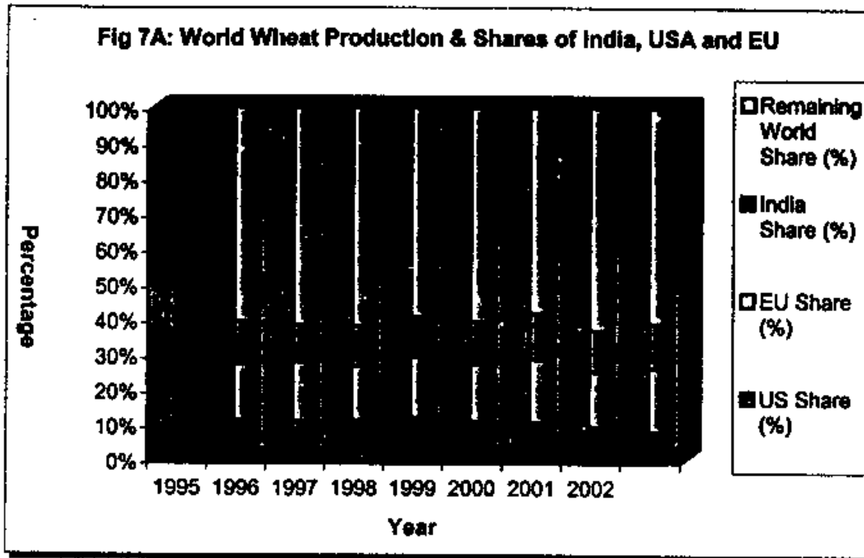
total world exports in 2002. High levels of domestic support and also the continuing export subsidies (Table 2) have aided these countries to achieve dominant positions in world production and exports. High level of domestic support leads to over-production, and hence export subsidies are used to dispose this surplus in the international market, at prices much lower than those in the domestic market. This exerts a downward pressure on world prices. In the case of cotton, high subsidies given to farmers has enabled US to maintain its share in the total world production (Figure 8A). In the case of rice too, US has been able to maintain its share in production and exports through subsidies. In the case of sugar, EU and US have consistently maintained their share in world production (Figure 10A) and EU is one of the major exporters of sugar (Figure 10B).

The Economic Research Service (ERS) at the U.S. Department of Agriculture has reported (2001) that the full elimination of global agricultural policy distortions would result in an annual world welfare gain of US$56 billion. More importantly, elimination of agricultural trade and domestic policy distortions could raise world agricultural prices by about 12 percent.

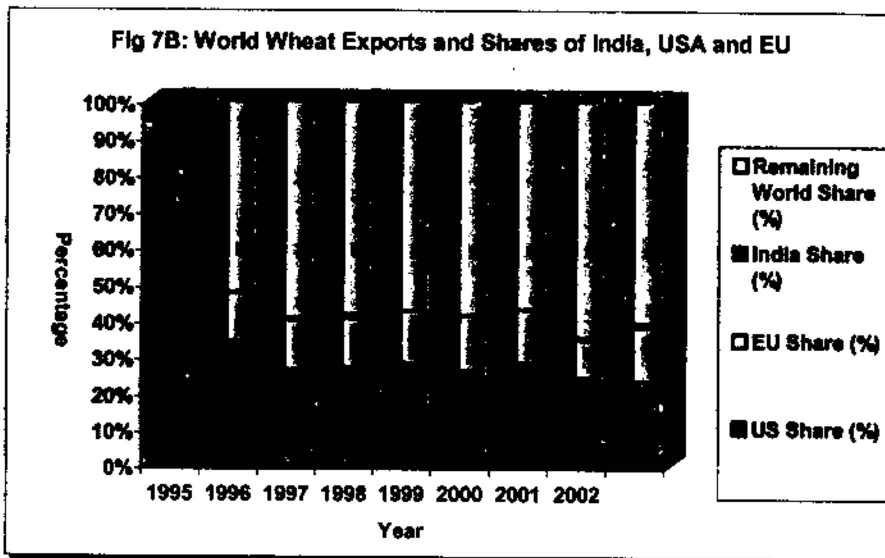
Table 3 Producer Support Estimate (USD mn)

		1986-88	2000-2002	1999	2000	2001	2002p
Wheat							
European Union	USD mn	8,673	8,982	11,424	9,170	8,278	9,498
United States	USD mn	4,801	3,993	5,725	5,388	3,980	2,611
Sugar							
European Union	USD mn	3,179	2,172	3,500	2,409	1,798	2,308
United States	USD mn	1,153	1,223	1,529	1,204	1,287	1,176
Rice							
European Union	USD mn	440	247	157	125	313	303
United States	USD mn	868	924	782	886	995	891

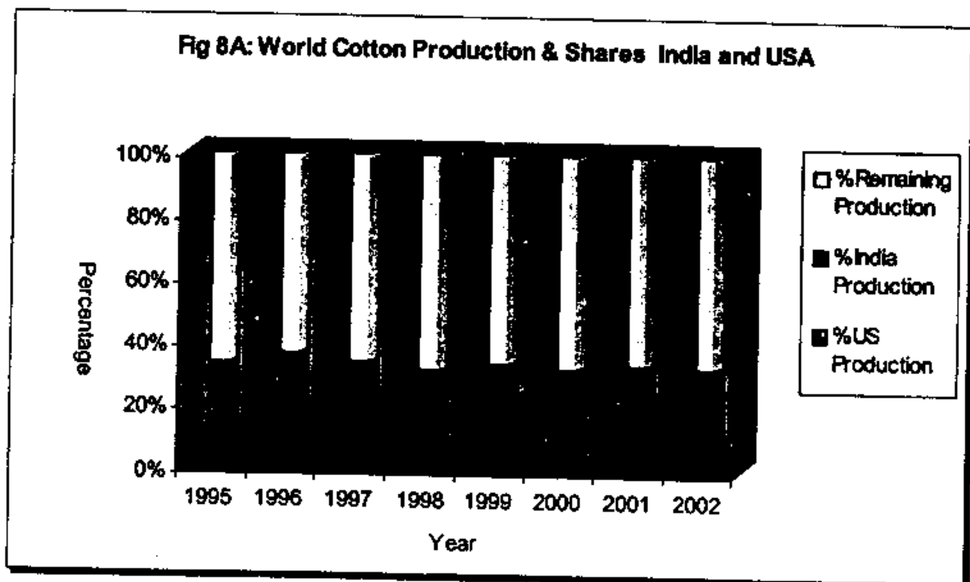
Source: OECD, PSE/CSE database 2003.



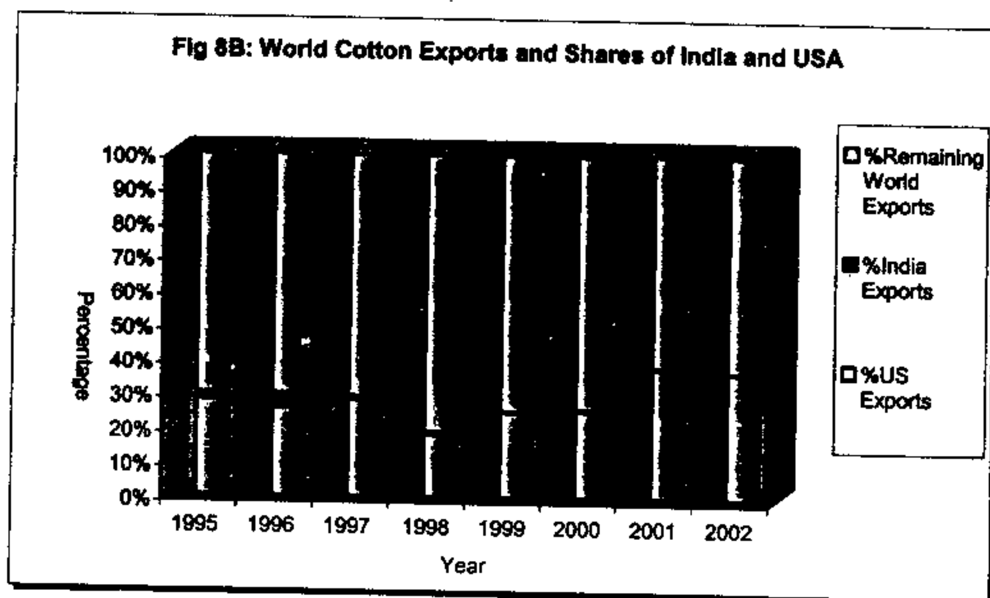
Data source: Wheat Year Book 2003, Economic Research Service, USDA



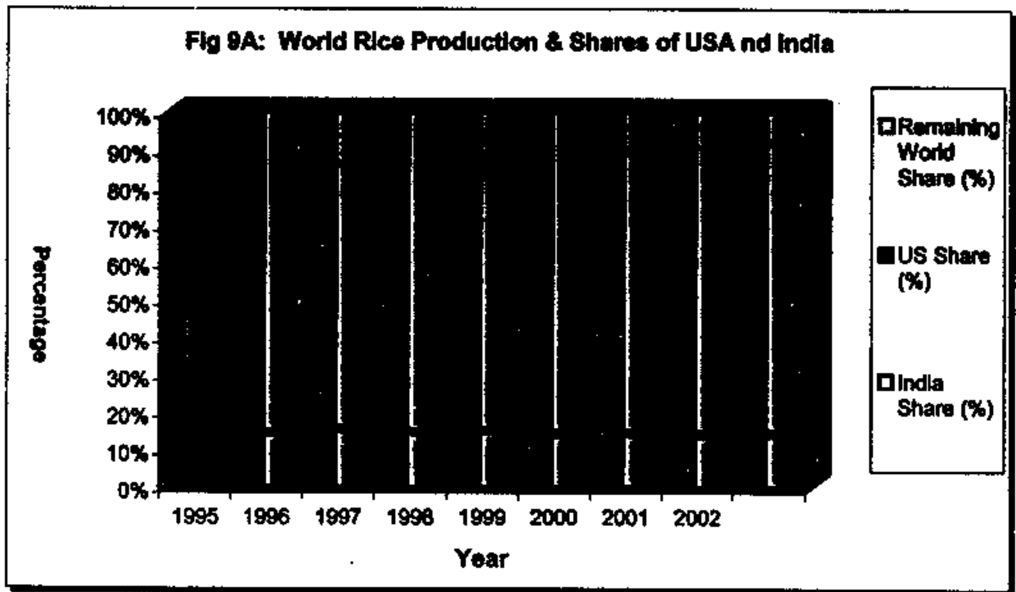
Data source: Wheat Year Book 2003, Economic Research Service, USDA



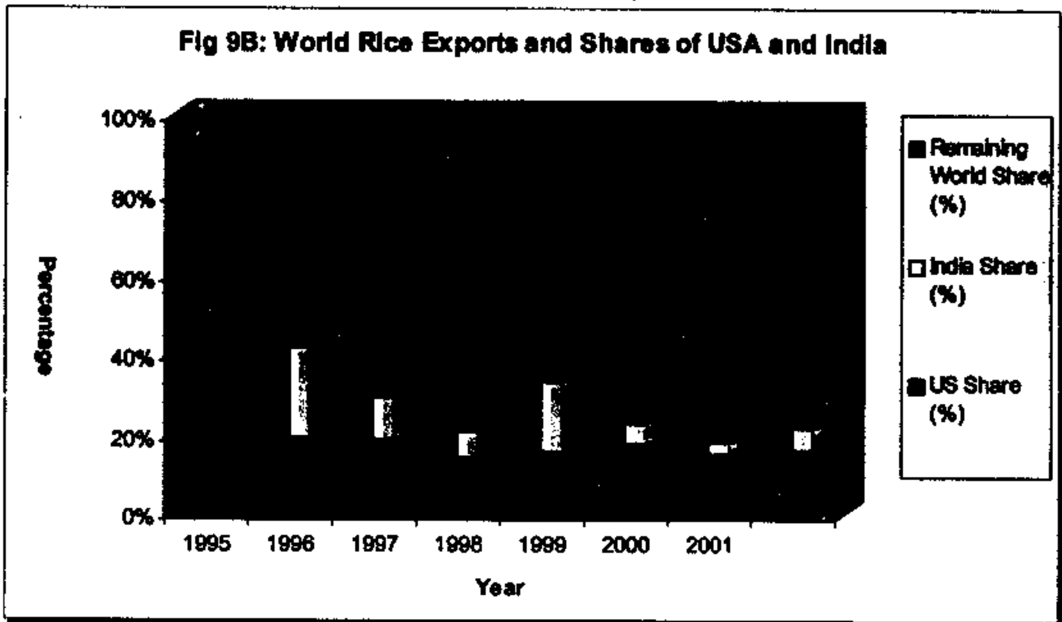
Data source: Cotton Year Book 2003, Economic Research Service, USDA



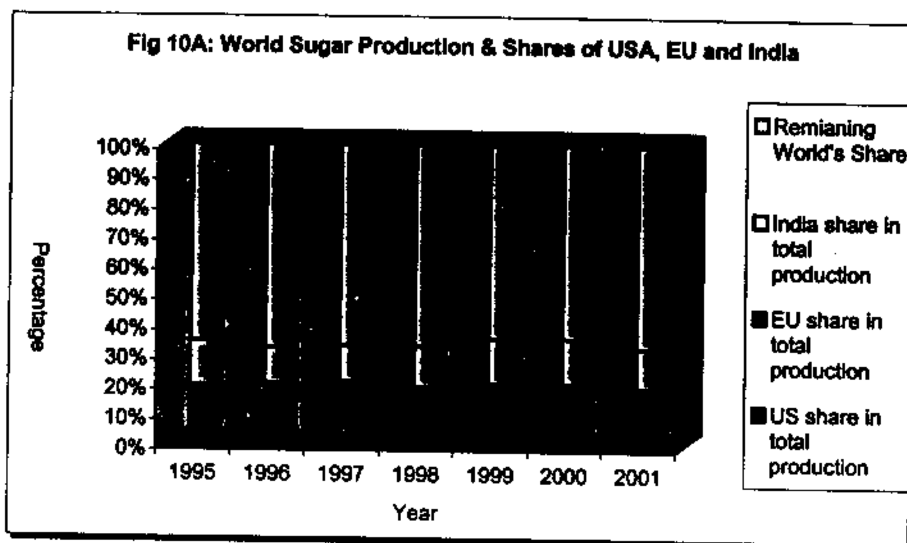
Data source: Cotton Year Book 2003, Economic Research Service, USDA



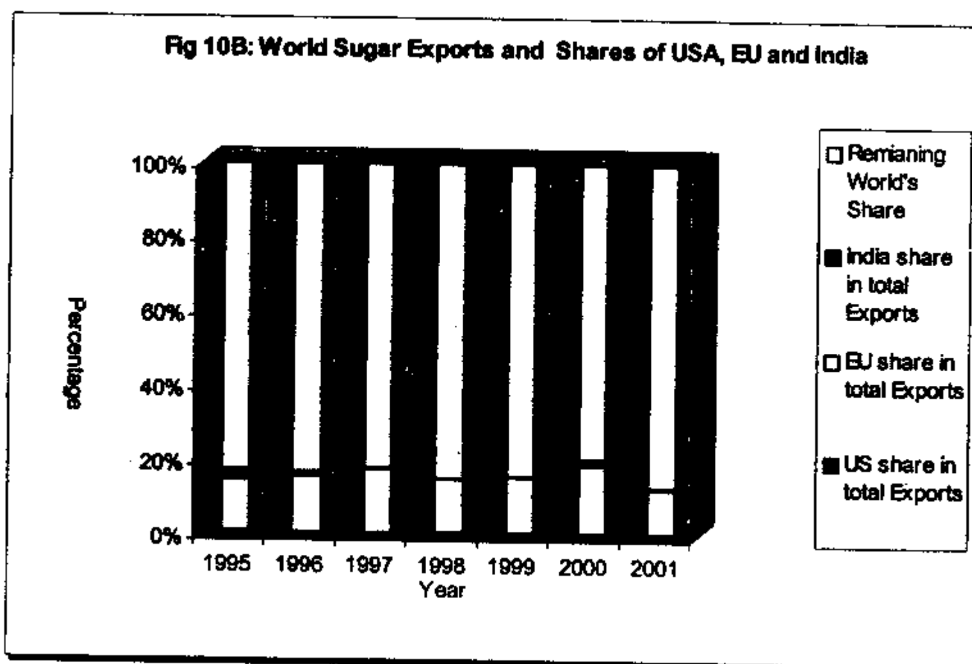
Data source: Rice Year Book 2002, Economic Research Service, USDA



Data source: Rice Year Book 2002, Economic Research Service, USDA



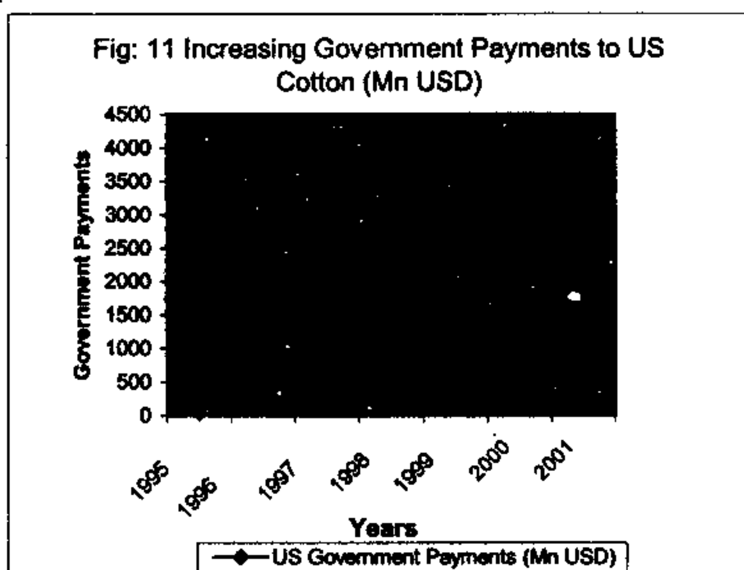
Data source: Wheat Sugar Year Book 2003, Economic Research Service, USDA



Data source: Sugar Year Book 2003, Economic Research Service, USDA

The adverse effect of support has been documented in the case of US cotton (*Oxfam, 2002*). By international standards, the US is not a particularly low-cost producer. Productivity levels are also lower in the US than in other major exporting countries. There has been a steep downturn in world cotton prices in the mid-1990s and they have fallen by 54 per cent. The US has expanded its area under cotton cultivation and increased output in this period. Increasing subsidies have enabled the US to expand its share of world cotton production from around 16 per cent at the beginning of the 1990s to over 20 per cent toward the end of the

decade (Figure 11 and Annexure X). The current share of US cotton exports in total exports is very significant at about 35 percent (Figure 8 A & B). In 2001/02 the value of US cotton production amounted to $3bn at world market prices. In the same year, the value of outlays in the form of subsidies to cotton farmers by the USDA's Commodity Credit Corporation (CCC) was $3.9bn. The withdrawal of subsidies is expected to result in a decline in US production of 1.4m tons, or around 10 per cent. The overall effect, taking into account increased production by lower-cost exporters, will be an increase in raise world prices by 11 cents per pound, or by almost 26 per cent (*Oxfam, 2002*). This will enormously benefit other cotton exporting countries such as Mali, Chad, Burkina Faso and also, India.



Source: www.usda.gov

Similarly, sugar is one of the most policy-distorted commodities in the world. The European Union, Japan, and the United States make up the bulk of OECD-zone support to sugar producers, which, at $6.4 billion, is approximately equal to developing-country exports *(World Bank 2003)*. High border barriers in combination with the subsidies keep domestic prices in the United States and the European Union about twice as high as the world market price.

High domestic sugar prices in the European Union, Japan, and the United States have encouraged high-cost, inefficient domestic production of sugar and sugar substitutes. At the same time, they have reduced overall consumption and gradually transformed these countries from net buyers of about half of the world's exports during the 1970s into net exporters in the 1990s (Annexure VI). The world prices of sugar today are below the costs of production of some of the most efficient producers. Many producers manage to keep exporting, either because they have preferential access at high prices in industrial-country markets or because they subsidize their exports by selling at higher prices in their domestic markets. The price per pound of sugar in EU domestic market for the period 2000-2002 is over 100 percent higher than the world price for sugar. Yet, EU is one of the major sugar exporters in the world.

Presently, developed countries are protecting their sugar producers at a very high cost to developing countries with export potential. According to a recent study of the global sugar and sweetener markets quoted in Global Economic Prospects *(World Bank 2003)*, removing all trade protection and support would bring annual global welfare gains of $4.7 billion. In countries with the highest protection—Europe, Indonesia, Japan, and the United States—net imports would increase by 15 million tons per year. World sugar prices would rise about 40 percent, while prices in heavily protected countries would decline: in Japan by 65 percent, in Western Europe by 40 percent, and in the United States by 25 percent *(World Bank 2003)*.

Estimates have been made to find out impact of liberalising agriculture. The GTAP Model has estimated the effect of liberalizing agriculture on some selected commodity prices, and has found them to increase substantially (*www.gtap.agecon.purdue.edu*). With liberalization of the agricultural market, the prices of rice are estimated to increase by 2.3 percent, that of wheat by 7.3 percent, oilseeds by 9.4 percent and sugar by 6.1 percent.

Babcock et al (2002) have also analyzed the impact of liberalizing agricultural markets. They have used the FAPRI modelling system to analyze the impact of trade and farm policies on world trade flows, prices, and market equilibrium. The analysis considers two scenarios.

- In the first scenario all distortions directly affecting agriculture (domestic farm programs and border measures, e.g., TRQs and tariffs), are removed; this is referred to as full liberalization.
- In the second scenario, only trade liberalization (the elimination of border measures) is implemented; this is referred to as trade-only liberalization.

This has been done to gauge the respective contribution of each type of distortion (domestic versus trade) on terms of trade and market outcomes (such as trade flows and location of production). For each scenario, policy parameters are changed and a new baseline is computed for the outlook period (2002–2011). The two trajectories are then compared. Results are reported as average annual changes over the outlook period in deviation from the baseline.

The world wheat price is estimated to go up by 4.8 percent in the full liberalization scenario and 7.6 percent in the trade-only liberalization scenario. World net trade is estimated to increase by 7.9 percent following the removal of all distortions and by 5.0 percent with trade liberalization alone. Because of the removal of the export subsidy, Indian exports are estimated to decrease under the full liberalization scenario because of the removal of export subsidies. Under this scenario, India is projected to become a net importer in 2003/04 and a year later with trade-only liberalization. However, considering the quality differences in Indian wheat and large transport costs from major exporting countries such as the US, this import projected might not be realised.

The increase in world rice prices is the highest among the grains. Under the full liberalization scenario, the price for rice goes up 10.3 percent on average compared to the baseline and it goes up a bit higher in the trade-only liberalization scenario

(10.6 percent) Rice trade increases by around 29 percent in the full liberalization scenario and by 27 percent with trade-only liberalization. Most of this trade increase is captured by China, India, and Vietnam, followed by Thailand. On an average, over the entire outlook period, India's exports are estimated to grow by over 100 percent under the full liberalization scenario and by 56 percent under the trade-only liberalization scenario India.

As regards cotton, with the removal of all agricultural distortions in the full liberalization scenario, world cotton prices are estimated to increase about 15 percent above baseline levels, and total trade is likely to increase by 6 percent. India cotton producers also benefit from the removal of distortions with the policy reforms. India's cotton net imports decline by 16 percent. Since international trade in cotton is relatively free, a trade-only liberalization scenario does not yield very dramatic results: prices rise by just about 3 percent, and total trade by 0.7 percent and for India, imports actually *increase* by 2 percent.

In one of the most distorted markets viz. dairy, the estimated price increases are the highest, and the domestic distortions and their removal have the strongest effect in this sector. With the removal of all distortions in the full liberalization scenario, net trade of all dairy products (butter, cheese, milk and milk products) increases relative to baseline levels. India is likely to gain significant market share in butter and Milk Products markets. In certain categories of the sector, India is estimated to move to being a net exporter from being a net importer.

Trade flows and their expected changes are highlighted in the above analysis. Based upon this analysis, India is likely to gain much more in the rice and cotton sectors under a scenario of full liberalization. However, this analysis does not take into account transport costs when estimating the flow of trade. In the case of wheat, the transport cost vis-à-vis US is relatively high, and India is likely to have an advantage when competing with US in export destinations closer to the former, even after the elimination of export subsidies.

Another study *(Beghin and Aksoy, 2003, in World Bank 2003)*, estimates that world prices are likely to go up by even higher margins: 10-20 percent for cotton, 20-40 percent for dairy products, 10-20 percent for groundnuts, 33-90 percent for rice and 20-40 percent for sugar. As these estimates are made by detailed analysis for each commodity, we use these estimates to compare domestic prices with international prices.

A comparison of Indian prices and the relevant international prices with the estimated increase is made for four important commodities viz. wheat, cotton, rice and sugar. This is done for the years since the AoA came into effect. Figures 12-15 illustrate the results. Adjusted World Price represents the world price adjusted for the estimated increases. These estimates take into account distortions in the agricultural markets due to border measures, as well as support and subsidies. For wheat, GTAP estimates have been used, as Beghin & Aksoy study estimates were not available. For rice, cotton and sugar, mid-point of the range reported by Beghin and Aksoy estimates have been used.

These results illustrate the changes in competitiveness of Indian commodities in

case of elimination of all support and subsidies to agriculture.

Annexure XIA – XIV A also show the difference in the Adjusted World Price and Indian Price for these four commodities. In 2002, in the absence of all support and subsidies to agricultural production and trade, the Indian price of wheat would have been 36 percent lower than the adjusted world (Australia) price. Given the prices in the two markets, the US will not be able to compete in the Indian market due to high transport cost. Therefore, India would be import competitive and can effectively compete with Australia in the neighbouring markets. The Babcock et al analysis estimates that Australian exports for wheat would increase by 0.41 percent only; taking into account transport costs, India would still remain competitive. The price of rice in India would have been 7.6 percent lower and the price of sugar 30.9 percent lower. This illustrates the extent to which India's exports are hampered because of the distortions in the world market for these commodities. In the case of cotton, till 2001 India would have been competitive and in 2001, the extent of price difference between adjusted world price and Indian price would have reduced. This would have reduced the increased imports of cotton in the recent years (Figure 16); a result that is also reinforced by the Babcock analysis mentioned earlier. In the case of rice (Figure 14) and sugar (Figure 15), Indian competitiveness will improve substantially.

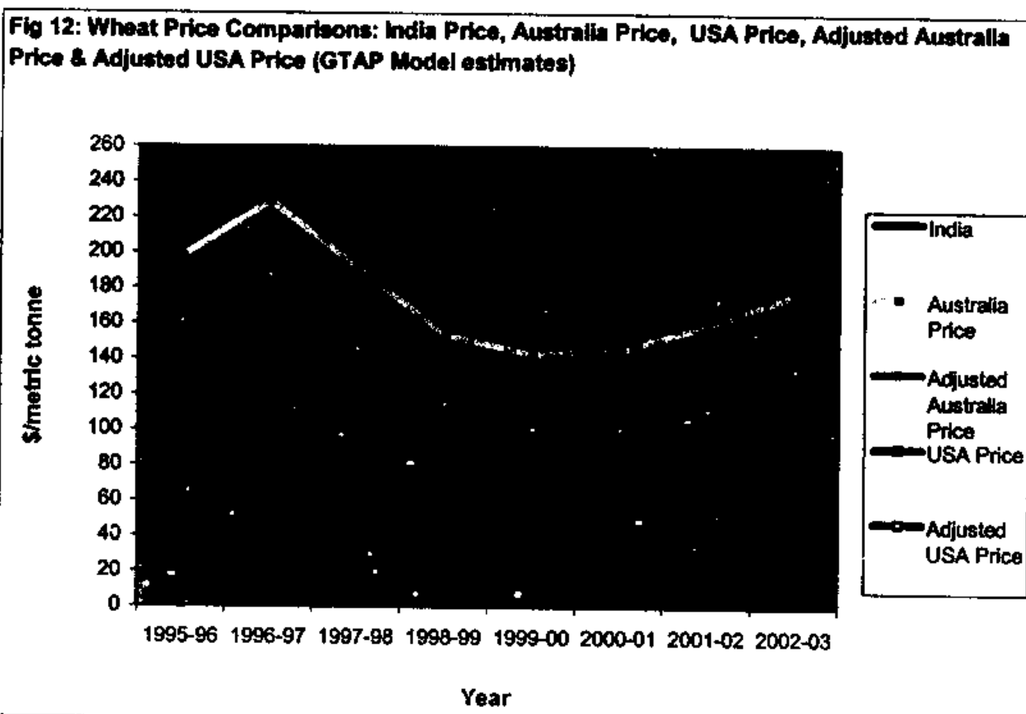
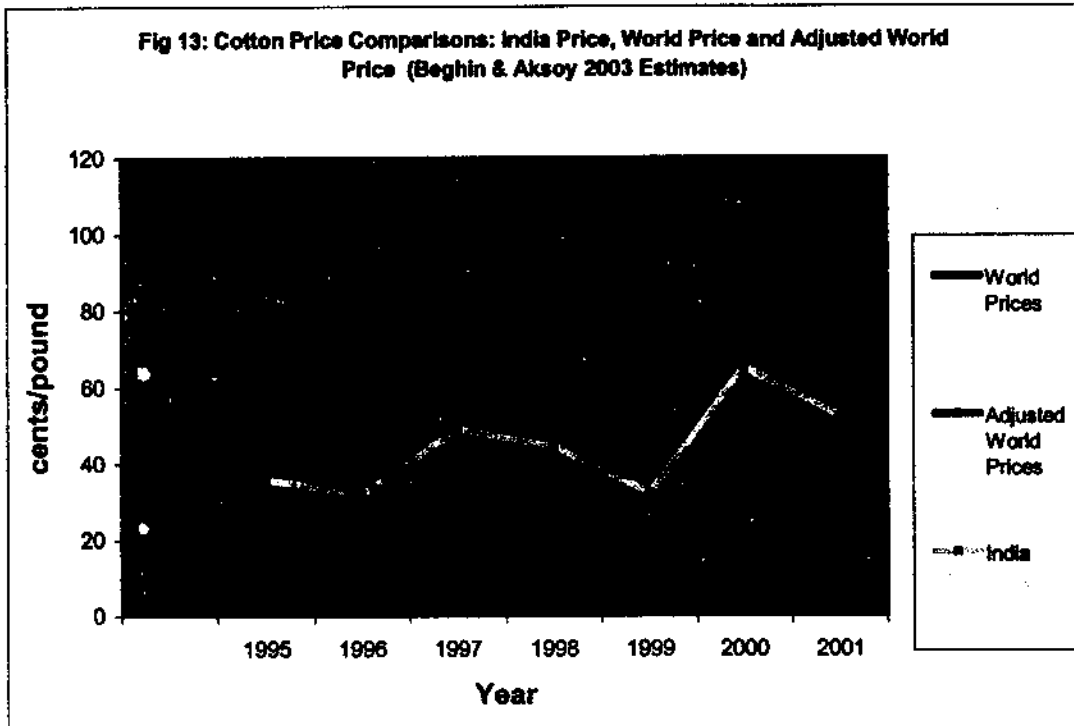
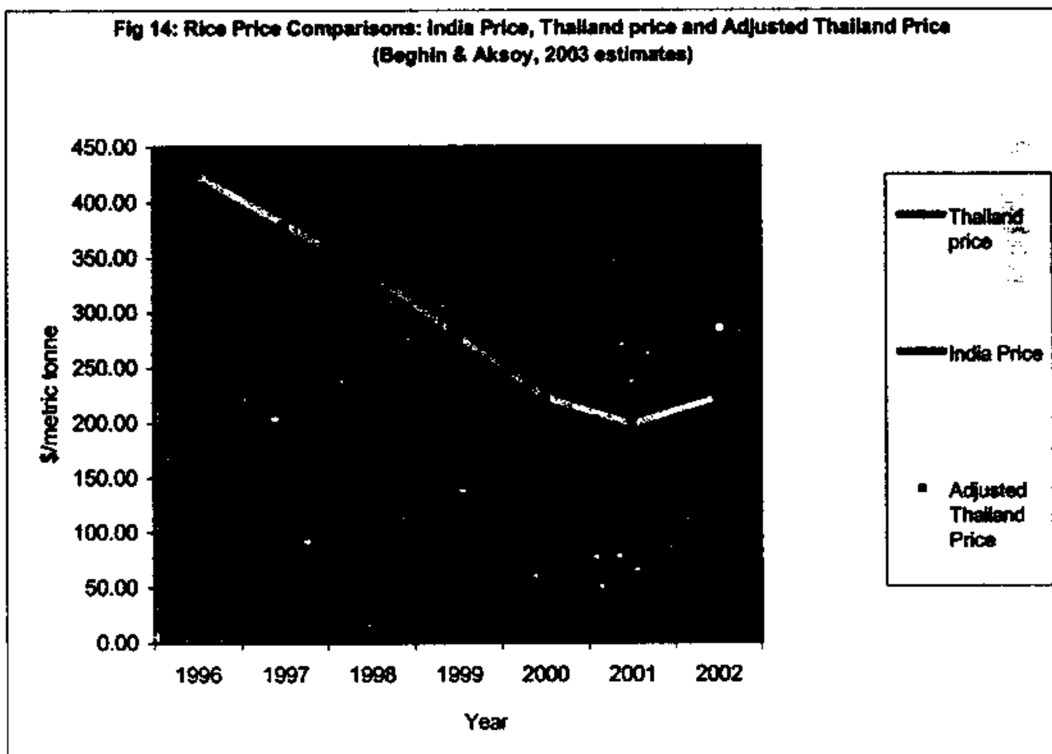


Fig 12: Wheat Price Comparisons: India Price, Australia Price, USA Price, Adjusted Australia Price & Adjusted USA Price (GTAP Model estimates)

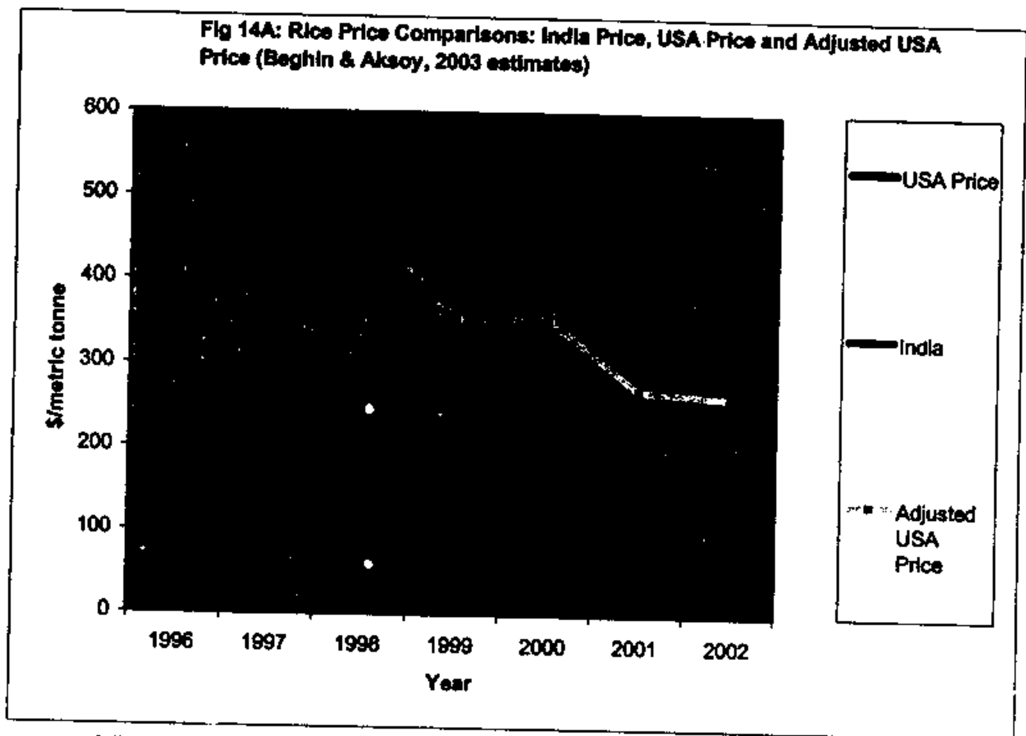
Adjusted Australia Price & Adjusted USA Price are projected prices based on the estimated change



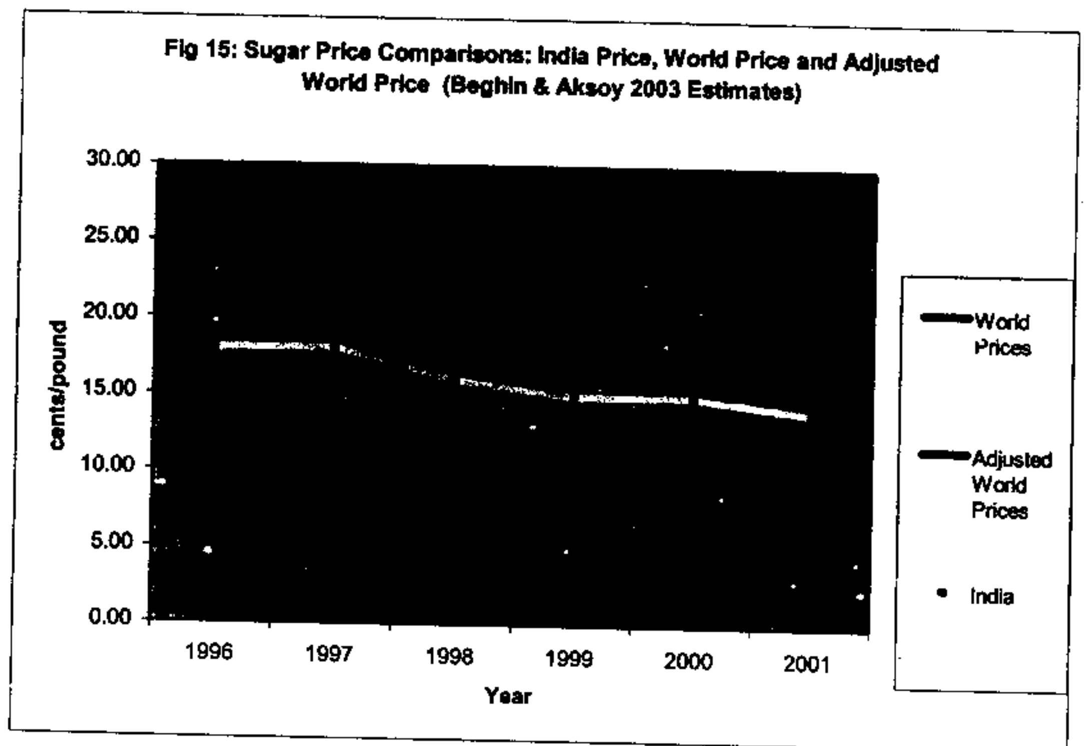
Adjusted World Price are projected prices based on estimated changes



Adjusted Thailand Price is projected price based upon estimated changes

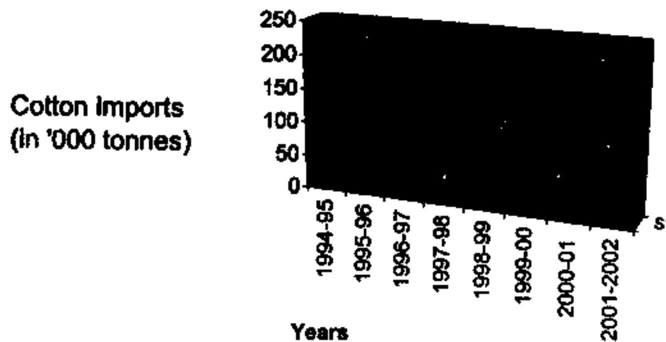


Adjusted USA Price is the projected price based upon estimated changes



Adjusted World Price is the projected price based on estimated changes

Figure 16: Cotton Imports: India



Data Source: indiastat.com

If the price of agricultural commodities like rice, cotton, wheat, sugar etc. were to rise, India could improve its export of these commodities. Developing countries and the agricultural market in general stands to accrue major benefits of reducing and eliminating subsidies and domestic support.

Prospects of Support Reduction

However, the major policy initiatives in the two major markets of USA and EU have not shown much promise. The mid-term review of the Agenda 2000 of the Common Agricultural Policy of the European Commission is the first of these policies. Among the proposals published in late January 2003, there was the provision of decoupling of CAP subsidies, i.e. formulating a single farm payment independent from production. This would make them eligible for the Green Box under which Members can subsidise without any reduction commitments. The Commission's proposals had not found unanimous support from EU Agriculture Ministers right from the time they were tabled. Sweden, U.K., Denmark, Netherlands and Germany were in favor of the reforms while France, Spain and Ireland were opposed.

France and Germany were jointly opposed to a complete decoupling and had come to an understanding where by only a partial decoupling of subsidies would be acceptable. This Franco-German understanding delineated the shape of the CAP reforms. The Cairns' Group had stated at the time that they would not be willing to accept any multilateral farm deal that they claim is *"along the lines of a watered-down"* original reform proposal. *(Bridges, Vol. 7, No. 22)*. The agreement reached between the EU farm ministers at the end of June however led to just such a watered down proposal. The European Commission in its original proposal had suggested fully de-coupling agricultural subsidies as of 2004. However, the compromise reached allows EU member states to maintain a link between subsidies and production under defined conditions. Supporters of de-coupling have blamed the linking of subsidies and output for Europe's overproduction and subsequent dumping, while opponents believe that de-coupling would expose European farmers to market forces and put many of them out of business.

According to the new policy, most of the old premiums paid under the CAP will be merged into a 'single farm payment' that will be independent from production and that will be linked to compliance with environmental, food safety and animal welfare standards. The single farm payment will enter into force in 2005, although member states can apply for a transitional period until 2007 at the latest. Funds saved through cutting support to big producers will be shifted to the rural development pillar of the CAP.

As a result of the compromise now achieved, overall EU support paid to the farming sector is not likely to decrease significantly. Rather, the changes will allow most subsidies to be shifted to the 'green box' under the Agreement of Agriculture, hence considered to be non-trade distorting or minimally trade-distorting. Even at the time of formulating the CAP, one of the most contentious issues, that of sugar subsidies was left out of discussions. The green box investments and transfers contribute partly to rural infrastructure and implicitly to lowering fixed cost of agriculture in rich countries and thereby indirectly undermine competitiveness of the developing countries. The developed countries account for 88 percent of total green box subsidies. The sheer volume of these subsidies therefore distorts trade to a large extent. On the other hand, the EU Agriculture Commissioner has stated that this CAP agreement, even in its watered down version, gives EU a stronger position at the current round of negotiations. The EU is likely to demand something in exchange if it chooses to use its increased negotiating capital and is not likely to accept a *"unilateral disarmament"*.

The other policy initiative is the US Farm Bill 2002. The Bill is estimated to cost more than US $100 billion during the next six years and $180 billion over a 10-year period, though many budget experts believe the expenditure will be even higher. Agricultural spending is expected to swell by nearly 80 per cent over the cost of existing programmes. It raises subsidy payments to large cotton and grain farmers. The United States is a major wheat exporting country. In 2001-02 the country exported more than 24 million tonnes of wheat, about a quarter of the total wheat exports worldwide. While this is the lowest the US has exported in 30 years (owing to falling area and yield), the farm subsidies proposed in the Farm Bill will no doubt propel output and hence the exportable surplus is bound to rise. This will further depress international wheat prices, and rule out exports from countries that cannot subsidise their wheat producers. In rice, the US has a share of about 12 per cent in world exports, which, though not as high as the share in wheat, is nevertheless significant enough to affect world prices. In 2001-02 the US exported 2.8 million tonnes of rice, up 50,.000 tonnes from the year before.

The heavily subsidized agriculture sector of most developed countries tend to distort world agricultural trade patterns and adversely affect the developing countries. High subsidies and tariffs effectively protect the domestic market from the efficient producers of other regions and countries. This also encourages higher production domestically and creates surplus over time. The developed countries have been providing export subsidies to dump these surpluses in the world market ruining the ability of the efficient producers of developing countries to compete in other markets. In fact in

some cases, such as cotton in India, the efficient producers are unable to compete in their own domestic market. Cotton imports in India have increased substantially due to the availability of cheap US cotton, as a consequence pf the subsidies provided by the US to their farmers.

Developing Country Perspective

The supports provided in the developed countries have depressed prices, reduced returns, increased risk and reduced incentive to invest and adopt new technology in the developing countries. Continuation of this situation would result in low productivity, further reduction in returns and possibly exit of farmers from the only occupation they are dependent on for their livelihoods. In many poor developing countries more than 50 per cent of their population is dependent on agriculture and most of the world's poor are in rural of areas of these countries. In India more than 600 million people are dependent on agriculture and around 230 million of them fall below poverty line. This is typical of the world's poorest regions. Agriculture growth and development are critical to the livelihoods of world largest number of poor people. Open trade is supposed to have improved their situations. However, the large amount of subsidies provided by the developed countries have robbed the poor farmers of their benefits and created unfair trade and unexpected consequences in the developing countries. This has the following lessons for the forthcoming round of negotiations

1. Creating a fair trade environment is essential for improving participation of developing countries in agricultural trade. Such an improvement would help these countries to benefit from their comparative advantage and therefore provide livelihoods for millions of poor people. A healthy development of agricultural sector can help reducing rural poverty and facilitate development in poor countries. This can also create demand for goods of the developed countries.
2. Considering the very small size of holding in the developing countries and a large percentage of population dependent on agriculture, creating fair trading opportunity is essential to sustain their livelihood. An average Indian farmer has to eek out his living from less than 1.5 ha where as in the US farmers have on an average of 400 ha to support their livelihood. Assuming same level of net returns the US farmers are more than 250 times better of than the Indian farmers. Even after adjusting for purchasing power parity US farmers are in a much better position to compete. Providing subsidy to them would favor enormously their position to compete in the world market.
3. Assuming Rs 12500/ha of net returns per season and 40 percent of irrigated area, average Indian farmer is getting $500 per annum net returns which is well below $2 a day level. Any disturbance in this return drastically affects their livelihood. The risk involved in losing even this low level of return has increased considerably because of the high level of subsidies in the developed countries. There are no effective risk management mechanisms in the developing countries and those that are there,

are very expensive. Therefore it is essential that a fair trade regime is created by eliminating subsidies, support and market barriers in the developed countries so that greater stability in incomes millions of farmers is be achieved in the developing countries.

4. The pre-requisite to create fair trade environment is eliminate all subsidies. Export subsidies have to be done away with immediately. The Amber Box and Blue Box subsidies have to be phased out at the earliest. There has be a cap on the green box subsidies. Since a large amount of green box subsidies can have the same effect as that of amber or blue box measures only a limited amount, may be not more than 5 per cent of the value of agricultural production, should be allowed.
5. The current agricultural policy reforms introduced both in the US and EU are grossly inadequate to ensure substantial reduction in the support. This also indicates that all loopholes will be fully exploited to keep the support levels high. Therefore developing countries must take all precautions to make sure that developed countries cannot provide support beyond 5 percent of the agricultural production in the form of green box measures. To ensure this, the developing countries will have to be exempted from any further commitments until the above level of reduction in support is achieved.
6. Increasing market access for developed countries are needed to benefit developing countries from free trade. Therefore, substantial reduction in the tariffs of developed countries for commodities that are important to developing countries, should be carried out. TRQs should be eliminated and tariff escalation removed. Developing countries should have enough flexibility in protecting their agriculture from external fluctuations so that their agriculture is not destabilized and livelihoods are adversely affected. Therefore sufficient flexibility in terms of bound tariff rate should be available to them. In terms of arriving at a number for the level of tariff the proportion of the population dependent on agriculture could serve as base.
7. The stage of development requires that developing countries should be given special and differential treatment. Special and differential treatment is also needed as they use poor and labour intensive technology as compared to high energy consuming capital-intensive technology of the developed countries. In addition, transaction costs are high in the developing countries due to archaic systems and processes. Revamping these systems and processes will take time especially in a democratic federal set up. Special and differential treatment for developing countries is also needed to facilitate faster growth and to reduce world poverty.

V. SUGGESTIONS FOR NEGOTIATIONS

The Doha Ministerial Declaration linked the Agricultural Negotiations to the negotiation agenda as a whole scheduled to be completed by January 2005. The new round is also termed as Development Round as it was agreed that negotiations should aim at facilitating faster development of the world's poor countries. Agriculture being a key sector supporting livelihood of more than half the population in most poor countries achieving faster development in these countries requires facilitating this sector. Having experienced adverse effects of supports provided by the developed countries on their agriculture sector in the aftermath of Uruguay Round, the developing countries should be able to convince the developed countries the need for drastic reduction in their support levels. The developing countries would have lived with a highly imbalanced agreement for 10 years by 2005. It would be unfair to perpetuate such imbalances at the cost of livelihood of millions of very poor farmers in the developing countries. Therefore, there is an urgent need to bringing in balance in the Agreement before asking developing countries to commit further on liberalizing their markets. The only central point of negotiation now should be the time duration the developing countries are ready to give to the developed countries for reducing substantially or eliminating the support levels. In this context the following approach may be relevant for negotiations.

1. Declare a period of five years from 2005 as 'Balancing Period'. During this period, necessary measures should be taken to prepare a level playing field for international trade of agricultural sector. This period will be available to developed countries to reduce substantially or eliminate support levels.
2. During the 'Balancing Period' the developed countries should phase out all export subsidies, blue and amber box subsidies and provide at the most 5 percent of the value of the agricultural production as green box subsidies. The time frame for phasing out of subsidies may be as follows.
    a. Export subsidy reduction should start with a 50 percent down payment and should be completely eliminated within five years, starting from 2005 with equal amount of reduction in each year. All forms of trade distorting export subsidies should be included here.
    b. Amber box subsidies should be done away with within these five years from 2005 with equal amount of reduction in each year.
    c. Blue box subsidies should be eliminated within 5 year from 2005 with equal amount of reduction each year
    d. The green box subsidy should be limited to less than 5 percent of the value of the agricultural production.
    e. The commodities that are supported by either amber, blue box measures or export subsidies should not

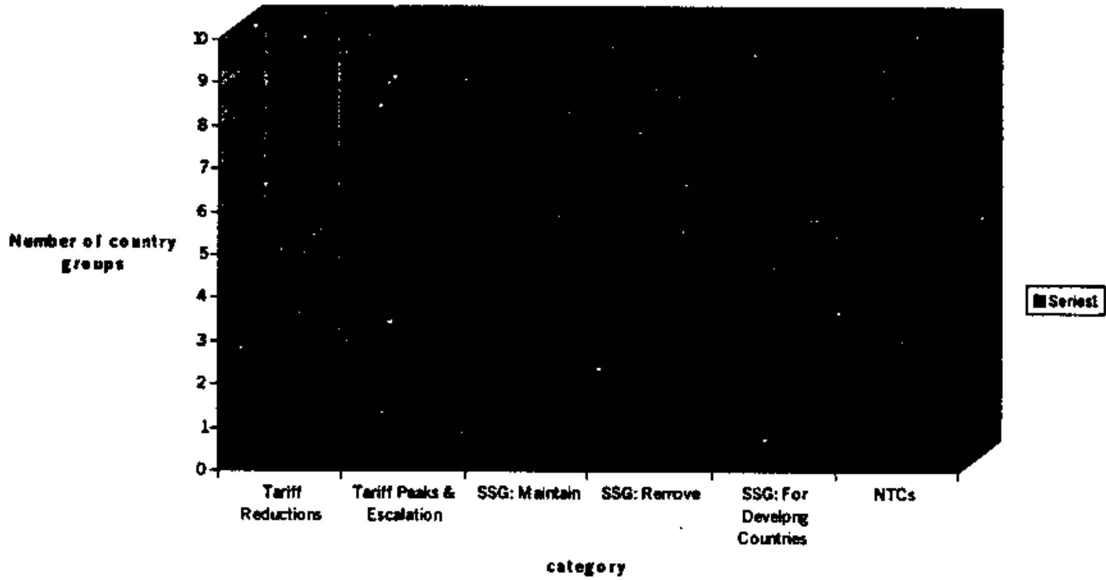
be allowed to be exported by the developed countries.

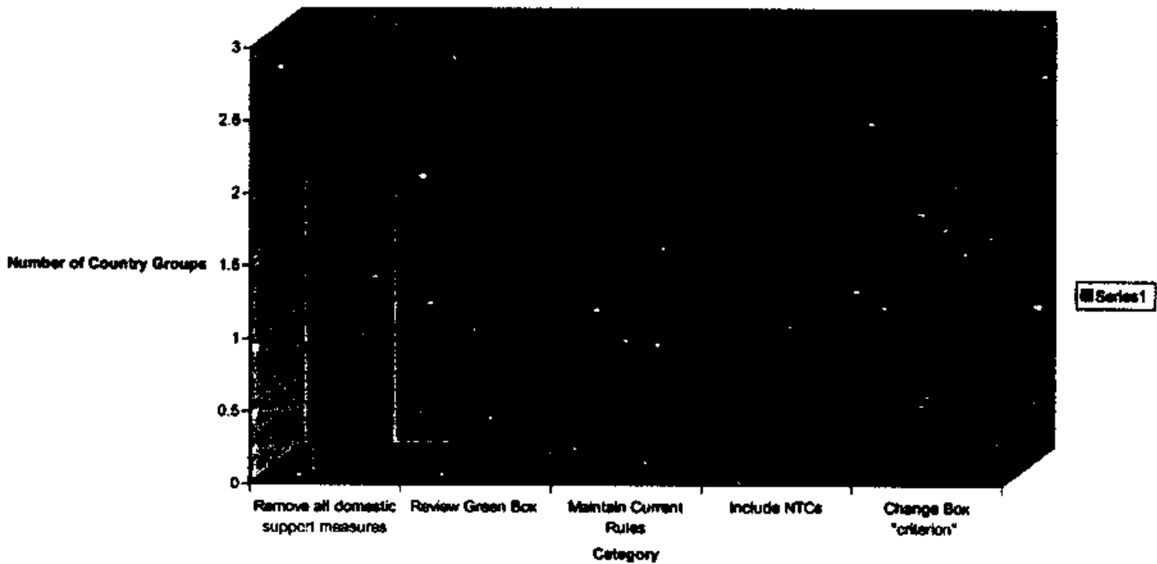
3. Tariff peaks in the developed countries should be eliminated within these five years.
4. Tariff rate quotas should be eliminated during the Balancing Period.
5. During the 'Balancing Period' no new commitments are to be made by the developing countries. The reduction in the support levels of the developed countries should be observed and it should be ensured that the level playing field is achieved by the end of this period.
6. Beyond the 'Balancing Period' tariff would be the main area of concern. A tariff formula may be worked out for individual countries based on the proportion of people dependent on agriculture. This tariff formula could be implemented in the next 5 years after the 'Balancing Period'.
7. Special and Differential treatment in terms of Green Box measures should be allowed for developing countries
8. Special Safeguard Mechanism to be provided to the developing countries to bring in stability to their agricultural sector.

Doha Development Round is an opportunity to make the agricultural trade fair and freer. Only free and fair trade can help developing countries to facilitate their farmers to earn their livelihood. If this can be achieved, it will benefit both developing and developed countries, as many studies have indicated. On the other hand, if this were not achieved, the developing countries would start suspecting the spirit of multilateral agreements, and may not be willing to participate in them in the future. Such a situation would have social, economic and political implications for both the developing and developed countries.

ANNEXURES

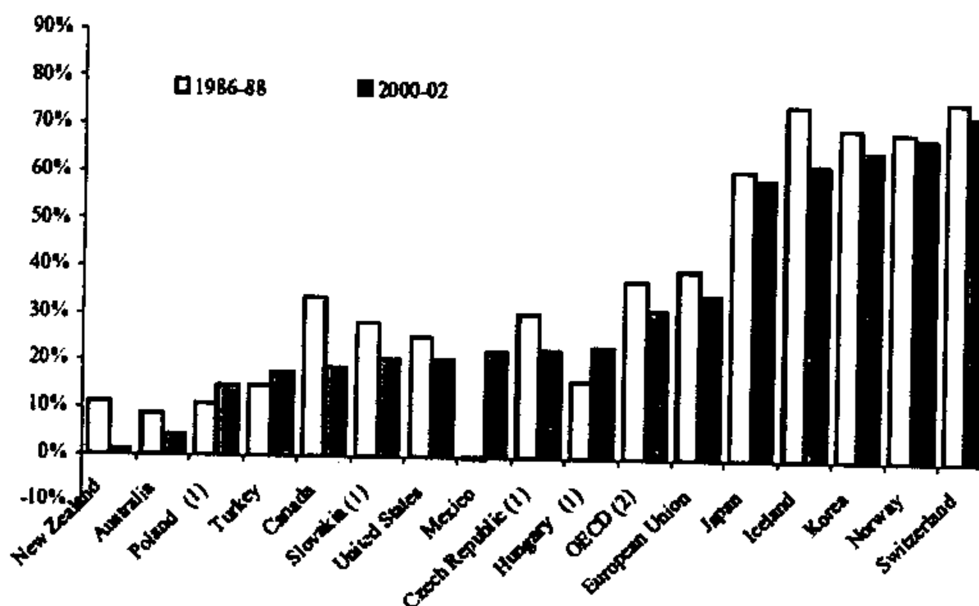
Annexure I. Comparative Country Strengths (in numbers) on various AoA Issues





Annexure II. Producer Support Estimate by country

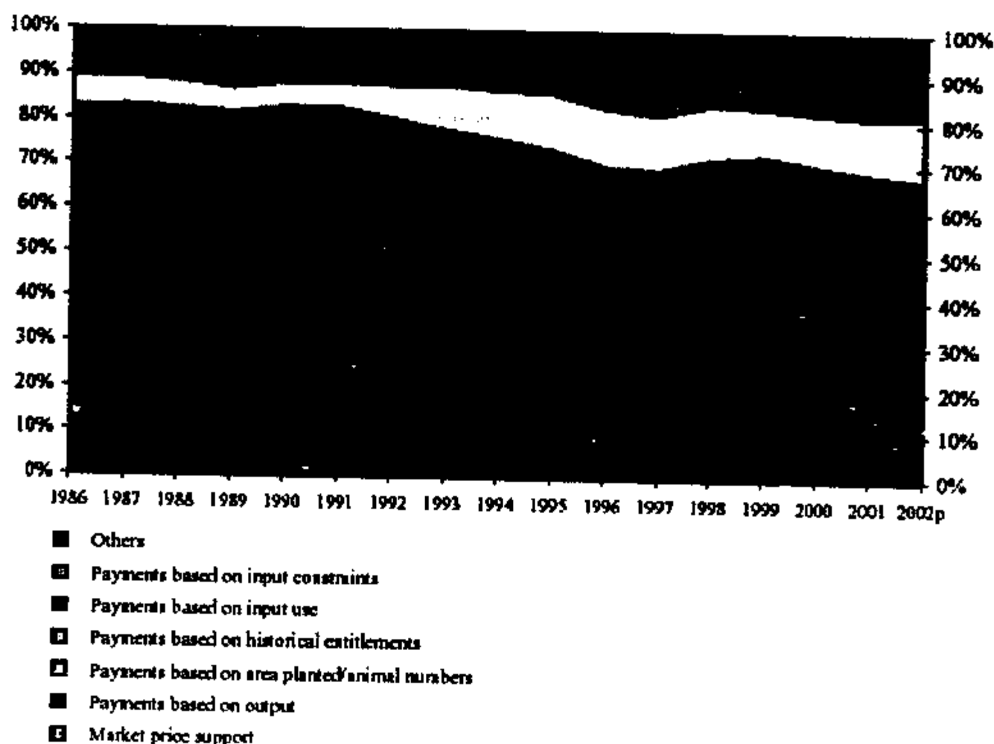
(Percent of value of gross farm receipts)



Source: OECD PSE/CSE database, 2003; Reproduced from OECD 2003

Annexure III. Composition of Producer Support Estimate for the OECD

1986-2002

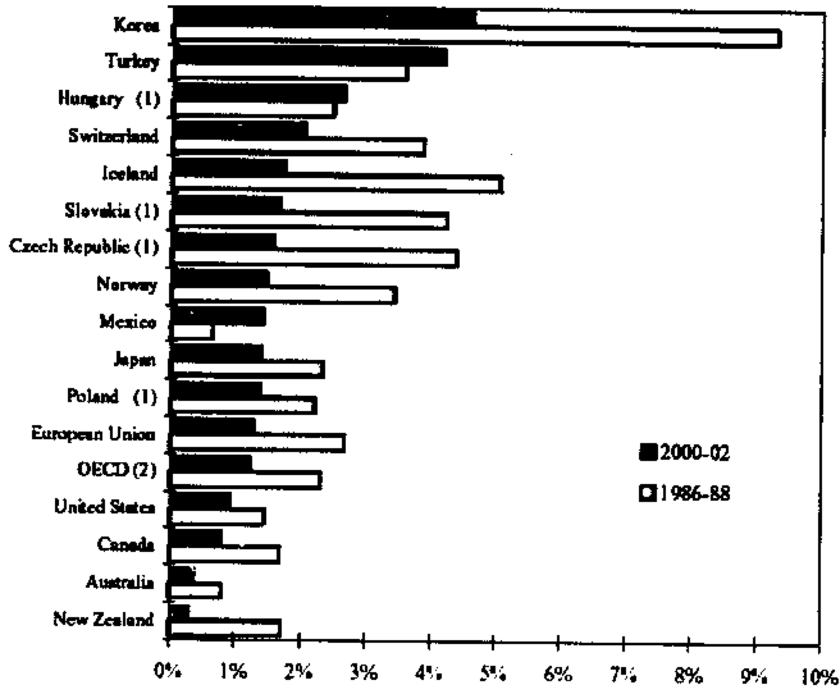


p: provisional.

Source: OECD PSE/CSE database, 2003; Reproduced from OECD 2003

Annexure IV. Total Support Estimate by country

(%of GDP)



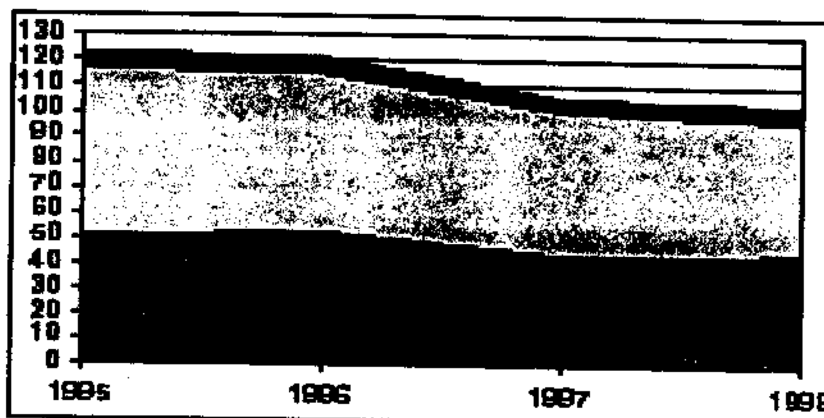
Source: OECD PSE/CSE database, 2003; Reproduced from OECD 2003

Annexure V Total export subsidies by country, 1995-2000 (US$ million)						
Country	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
European Union	6496	7470	4857	5989	5854	2517
United States	26	122	112	147	80	15
Switzerland	455	355	295	293	269	188
Norway	84	78	100	77	116	44
Rest of World	267	228	195	162	177	443
Total	7327	8253	5558	6668	6496	3206

Source: Economic Research Service (ERS) calculations from WTO export subsidy notifications. http://www.ers.usda.gov/db/wto/

Annexure VI A) WTO NOTIFICATIONS OF DOMESTIC SUPPORT AND EXPORT SUBSIDIES IN THE EU

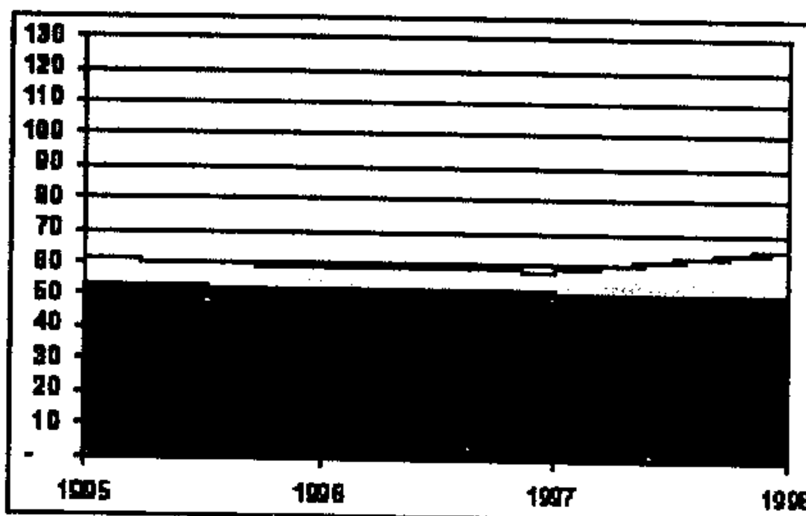
A. European Union



Note: Amber box includes "*de minimis*" level.
Source: WTO notifications.

Annexure VI B) USA (US$ Billion)

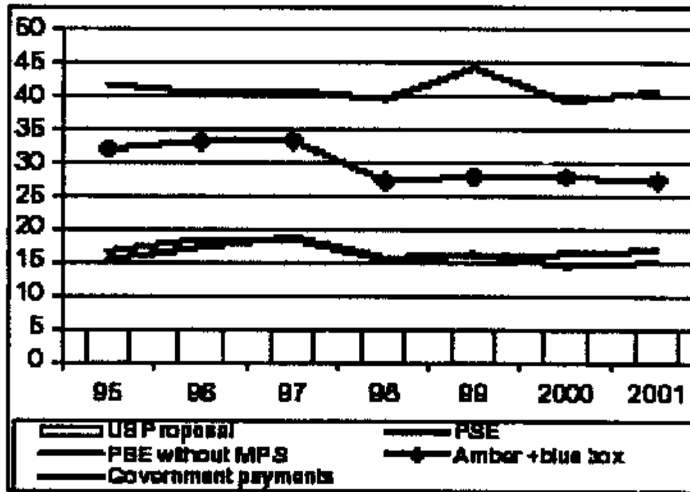
B. United States



Note: Amber box includes "*de minimis*" level.
Source: WTO notifications.

Reproduced from Jank (2003)

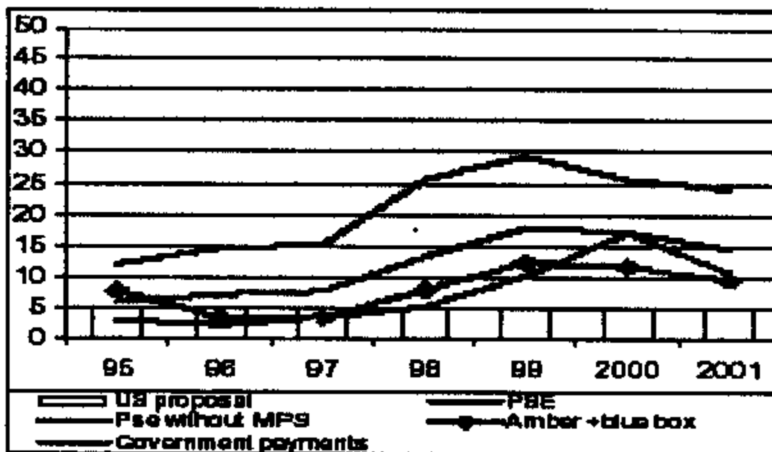
Annexure VII A) European Union: Domestic Support As A percent Of The Agricultural Output



Note: Amber box includes "de minimis". Forecasts for 2000-01
Source: WTO, OECD, European Commission, FAPRI.

Reproduced from Jank (2003)

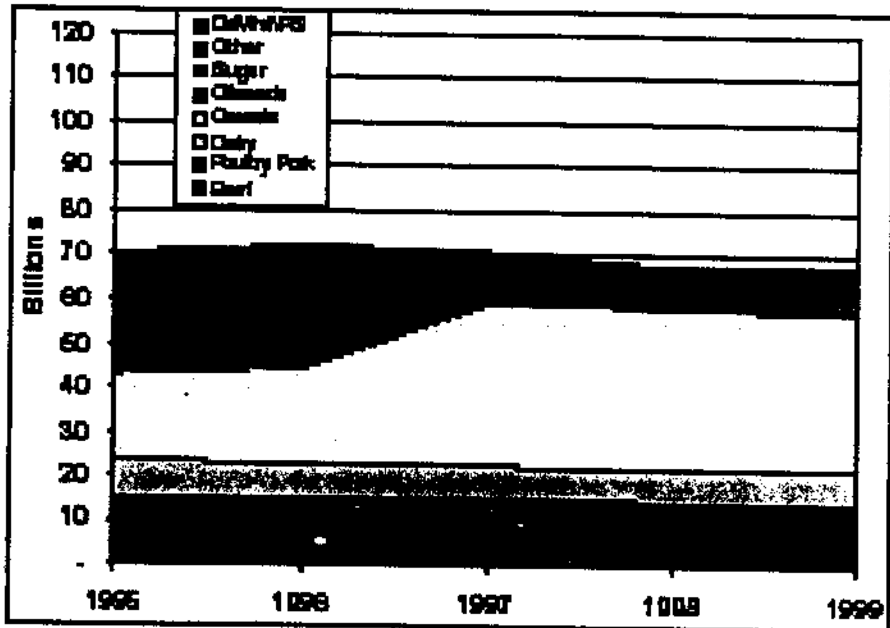
Annexure VII B) United States: Domestic Support As A percent Of Agricultural Output



Note: Amber box includes "de minimis". Forecasts for 1999-01.
Source: WTO, OECD, USDA-FSA, FAPRI.

Reproduced from Jank (2003)

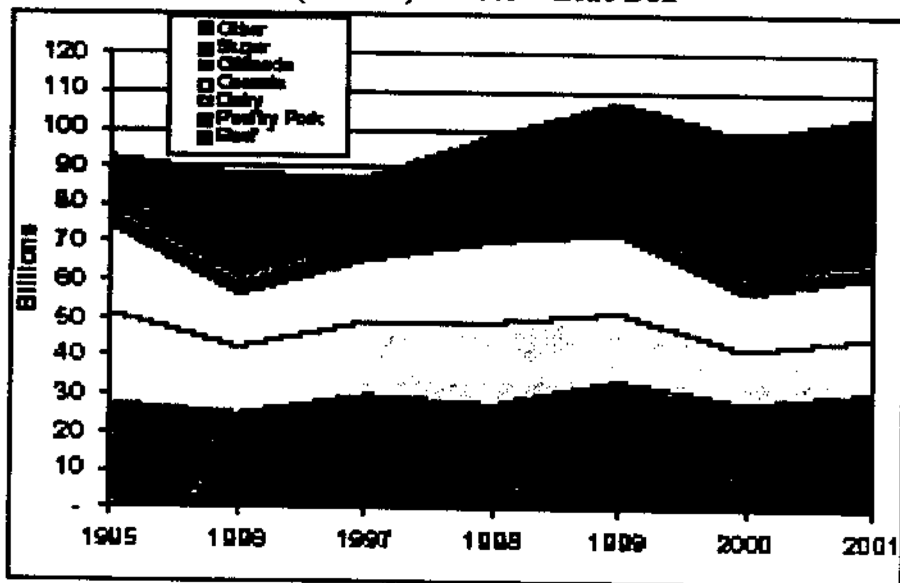
Annexure VIII A1) European Union: Distribution Of Domestic Support By Product (Euros) Amber + Blue Box



Source: WTO notifications.

Reproduced from Jank (2003)

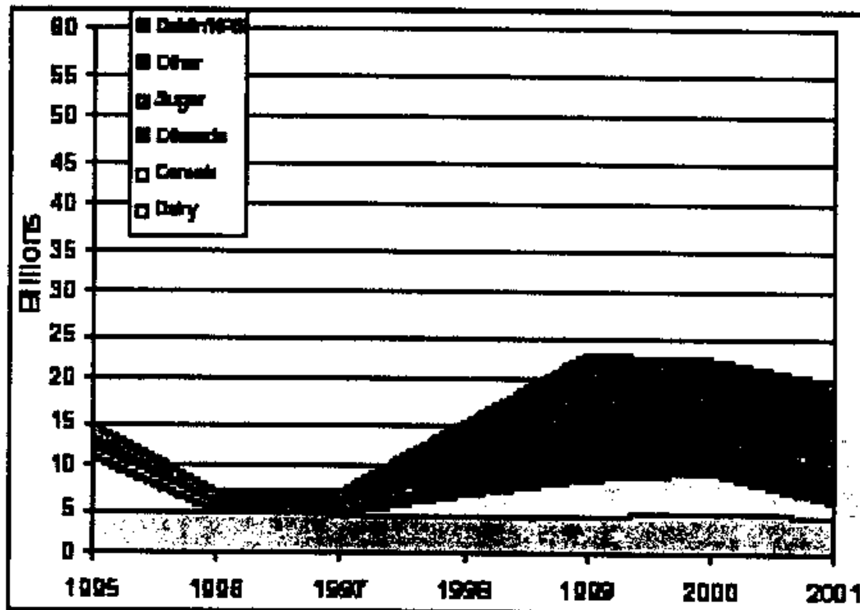
Annexure VIII A2) United States of America: Distribution Of Domestic Support By Product (Dollars) Amber + Blue Box



Source: OECD.

Reproduced from Jank (2003)

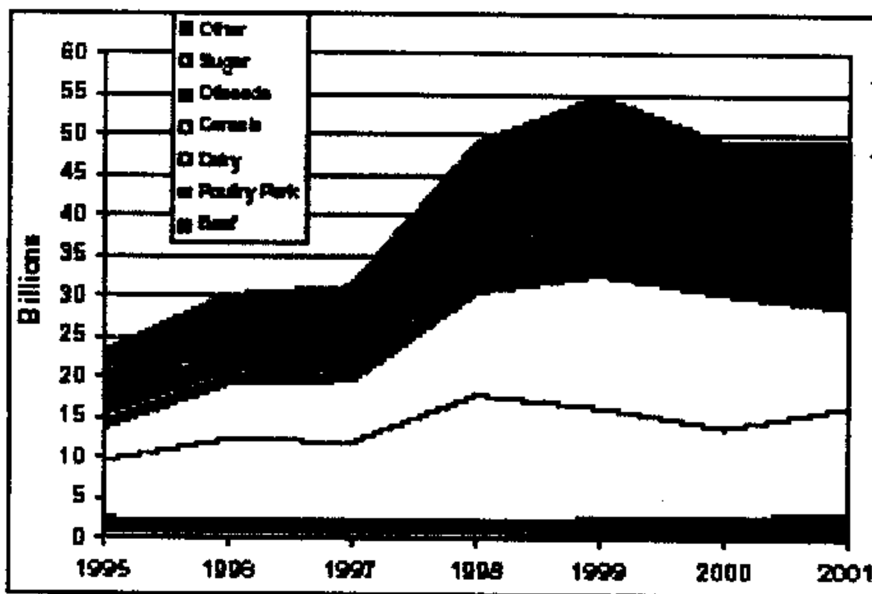
Annexure VIII B1) United States: Distribution Of Domestic Support By Product (Us$)
Amber + Blue Box



Source: WTO notifications, FAPRI. Forecasts for 1999-01.

Reproduced from Jank (2003)

Annexure VIII B2) Producer Support Estimate



Source: OECD.

Reproduced from Jank (2003)

Annexure IX Top Net Exporters for selected commodities						
	1997-98	**1998-99**	**1999-00**	**2000-01**	**2001-02**	**2002-03**
Wheat (million metric tonnes)						
United States	28.42	30.81	32.25	32.7	30.68	28.74
Canada	18.89	18.94	19.06	19.33	19.34	19.26
European Union	14.11	14.57	14.67	14.34	19.27	22.69
Australia	13.42	13.59	13.69	13.7	13.64	13.54
Argentina	6.44	6.3	6.36	6.46	6.6	6.78
Sugar (1000 metric tonnes)						
Brazil	4952	5037	5032	5160	5258	5374
Australia	4001	3955	4036	4006	4086	4074
Thailand	3696	3729	3839	3885	3981	4034
Cuba	3364	3398	3432	3466	3500	3535
European Union	2619	2472	2582	2368	2445	2364
Cotton (1000 metric tonnes)						
United States	1534	1555	1564	1560	1539	1519
Uzbekistan	1061	1067	1073	1079	1085	1091
Africa	576	589	585	578	572	580
Argentina	297	300	308	316	325	333
Australia	336	347	356	363	369	374
Source: www.fapri.org						

Annexure X Government Support to US Cotton	
Year	**US Government Payments (Mn USD)**
1995	38
1996	703
1997	991
1998	1564
1999	2336
2000	1600
2001	3900

Source: www.usda.gov

Annexure XI A: Wheat Price Comparisons: India, World (Australia) and USA						
						($/Metric tonne)
Years	India Price	World/Australia Price	World/Australia Price*	USA Price	USA Price*	Percent Difference between India Price and World Price*
1995	116.34	198.00	212.45	150.00	160.95	-83
1996	151.53	229.00	245.72	175.00	187.78	-62
1997	138.93	192.00	206.02	136.00	145.93	-48
1998	145.19	154.00	165.24	107.00	114.81	-14
1999	145.58	143.00	153.44	94.00	100.86	-5
2000	127.44	145.00	155.59	94.00	100.86	-22
2001	133.89	159.50	171.14	103.92	111.50	-28
2002	139.55	177.50	190.46	125.08	134.21	-36
(Note: Price* is the price estimate in a scenario where all subsidies and support to agriculture were removed)						

Annexure XI B: Wheat production and Shares: World, United States, European Union and India							
Year	World Production	US Production	EU Production	India Production	US Share	EU Share	India Share
	Million Bushels				Per cent age		
1995	19,773	2,183	3,166	2407	11.0	16.0	12.2
1996	21,382	2,277	3,619	2282	10.7	16.9	10.7
1997	22,417	2,481	3,461	2550	11.1	15.4	11.4
1998	21,668	2,547	3,788	2440	11.8	17.5	11.3
1999	21,534	2,299	3,542	2601	10.7	16.4	12.1
2000	21,387	2,232	3,848	2807	10.4	18.0	13.1
2001	21,304	1,957	3,351	2528	9.2	15.7	11.9
2002	20,831	1,616	3,796	2638	7.8	18.2	12.7

Annexure XI C: Wheat Exports and Shares: World, United States, European Union and India							
Year	World	US	EU	India	US Share	EU Share	India Share
	Million Bushels				Per cent age		
1995	3,645	1,241	487	3.18	34.1	13.4	0.09
1996	3,795	1,002	522	23.24	26.4	13.8	0.61
1997	3,836	1,040	522	42.10	27.1	13.6	1.10
1998	3,721	1,046	536	0.06	28.1	14.4	0.00
1999	4,197	1,089	641	0.06	26.0	15.3	0.00
2000	3,777	1,062	559	0.00	28.1	14.8	0.00
2001	3,973	961	422	29.89	24.2	10.6	0.75
2002	3,750	875	570	40.93	23.3	15.2	1.09

Annexure XII A: Rice Price Comparisons: India, World (Thailand) and USA						
					($/Metric tonne)	
Year	India Price	World (Thailand) Price	World (Thailand) Price*	USA Price	USA Price*	Percent Difference between India Price and World Price*
1996	267.26	327.00	425.10	428	556.4	-59.1
1997	266.48	293.00	380.90	417	542.1	-42.9
1998	263.46	258.00	335.40	368	478.4	-27.3
1999	228.19	215.00	279.50	272	353.6	-22.5
2000	221.58	172.00	223.60	274	356.2	-0.9
2001	212.00	153.00	198.90	208	270.4	6.2
2002	206.62	171.00	222.30	202	262.6	-7.6
(Note: Price* is the price estimate in a scenario where all subsidies and support to agriculture were removed)						

Annexure XII B: Rice production and Shares: World, United States and India						
Year	World Production		US Production	India Production	US Share	India Share
	Rough	Milled				
	Million Metric Tonnes				Per cent age	
1995	551.3	371.4	7.9	76.98	1.4	13.7
1996	563.7	380.4	7.8	81.73	1.4	14.7
1997	574.2	386.8	8.3	82.54	1.4	13.9
1998	585.6	394.1	8.4	86.08	1.4	14.4
1999	608.9	409.3	9.3	89.68	1.5	13.5
2000	592.1	397.6	8.6	84.87	1.5	13.7
2001	591.3	396.7	9.7	91.61	1.6	13.3
2002	569	381.8	9.6	93	1.7	13.6

Annexure XII C: Rice Exports and Shares: World, United States and India					
Year	World	US	India	US Share	India Share
	Million Metric Tonnes			Per cent age	
1995	19.7	3.8	4.54	19.1	23.0
1996	18.9	3.5	1.99	18.8	10.5
1997	27.6	4.0	1.80	14.4	6.5
1998	24.9	3.9	4.37	15.8	17.5
1999	22.9	4.0	1.26	17.6	5.5
2000	24.4	3.8	0.68	15.4	2.8
2001	26.6	4.3	1.53	16.0	5.8
2002	26.6	4.5	NA	17.0	NA

Annexure XIII A: Cotton Price Comparisons: India and World				
				(Cents/pound)
Year	**India**	**World Prices**	**World Prices***	**percent difference between India Price and World Price***
1995	35.93	85.55	98.38	-173.8
1996	32.07	78.58	90.37	-181.8
1997	49.07	72.17	83.00	-69.1
1998	44.54	58.83	67.65	-51.9
1999	32.33	52.84	60.77	-88.0
2000	65.08	62.9	72.34	-11.1
2001	52.53	41.8	48.07	8.5

(Note: Price* is the price estimate in a scenario where all subsidies and support to agriculture were removed)

Annexure XIII B: Cotton Production and Shares: World, United Sates and India					
Year	**World Production**	**US production**	**India production**	**US Share**	**India Share**
	Million 480-lb bales			Per Cent age	
1995	93.2	17.9	13.2	19.21	14.22
1996	89.8	18.9	13.9	21.09	15.50
1997	91.9	18.8	12.3	20.45	13.42
1998	85.3	13.9	12.9	16.32	15.10
1999	87.5	17.0	12.2	19.39	13.92
2000	88.7	17.2	10.9	19.38	12.32
2001	98.4	20.3	12.3	20.63	12.50
2002	88.1	17.8	10.9	20.22	12.37

Annexure XIII C: Cotton Exports and Shares: World, United Sates and India					
Year	**World**	**US**	**India**	**US Share**	**India Share**
	Million 480-lb bales			Per cent age	
1995	27.5	7.68	0.57	27.91	2.06
1996	26.8	6.87	1.19	25.62	4.43
1997	26.7	7.50	0.31	28.09	1.17
1998	23.7	4.30	0.20	18.14	0.82
1999	27.3	6.75	0.07	24.73	0.26
2000	26.6	6.74	0.09	25.34	0.35
2001	29.0	11.00	0.06	37.93	0.21
2002	29.4	10.80	0.05	36.73	0.17

Annexure XIV A: Sugar Price Comparisons: India and World				
				(Cents/pound)
	India	World Prices	World Prices*	percent difference between India Price and World Price*
1995	18	18.0	29.0	-61.2
1996	18	17.4	28.1	-56.2
1997	18	14.5	23.4	-29.9
1998	16	12.4	20.0	-24.8
1999	15	9.8	15.8	-5.6
2000	15	9.1	14.7	2.1
2001	14	11.4	18.3	-30.9

(Note: Price* is the price estimate in a scenario where all subsidies and support to agriculture were removed)

Annexure XIV B: Sugar Production and Shares: World, USA, EU and India							
Year	World Production	US production	EU production.	India production	US share	EU Share	India Share
	----1000 metric tonnes----				Per cent age		
1995	122,029	6,686	17,234	18,225	5.48	14.12	14.93
1996	121,696	6,536	18,221	14,616	5.37	14.97	12.01
1997	125,526	7,276	19,305	14,592	5.80	15.38	11.62
1998	130,564	7,597	17,818	17,436	5.82	13.65	13.35
1999	135,470	8,203	19,546	20,219	6.06	14.43	14.93
2000	127,713	7,710	18,509	19,300	6.04	14.49	15.11
2001	126,279	7,653	16,614	16,765	6.06	13.16	13.28

Annexure XIV C: Sugar Exports and Shares: World, USA, EU and India							
Year	World Exports	US Exports	EU Exports	India Exports	US Share	EU Share	India Share
	----1000 metric tonnes----				Per cent age		
1995	33,969	327	4,629	940	0.96	13.6	2.8
1996	34,816	191	5,228	422	0.55	15.0	1.2
1997	36,105	162	6,361	21	0.45	17.6	0.1
1998	36,063	209	5,329	10	0.58	14.8	0.0
1999	39,306	112	6,138	25	0.28	15.6	0.1
2000	35,388	113	6,600	500	0.32	18.7	1.4
2001	33,663	113	4,000	200	0.34	11.9	0.6

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