

## Agricultural Liberalisation: Boon or Bane?

### Introduction

Frustrated by the distortion of the highest order prevalent in the global agricultural trade, the participants of the Uruguay Round (UR) focused on the need to bring "more discipline and predictability to world agricultural trade". As a result of intense negotiations between the key players Agreement on Agriculture (AoA) was finally agreed to during the UR. Though agriculture was never excluded in the old GATT, GATT-1947 rules applying to agricultural trade were weaker than those that applied to manufactured goods. The reason for this was that many nations regarded agriculture as a sector of economic activity that should be accorded "special status".

As a built-in-agenda item, the review of AoA has already started. Despite the mandated review having already reached half-way, differences are so wide that they demand no less than change of hearts to be narrowed down. Agricultural liberalisation is not a North-South issue unlike other issues at the WTO proscenium. Certain issue-based alliances have emerged in this area. South Asia in particular does not have any specific position on AoA. However, three developing member countries of SAARC have staked out their positions in some way or the other during the process of its review.

The objective of this briefing paper is to trace the history of agricultural liberalisation and analyse its impact focusing mainly on the on-going review process. It has also attempted to provide some policy recommendations on the course of action to be followed by South Asian countries both during the process of the review of AoA and during the run up to the Fourth Ministerial Conference of the WTO to be held at Doha from 9 to 14 November this year.

### Politics of agriculture

Agriculture is a way of life in most developing agrarian economies. Rapid growth of agriculture is essential for ensuring food security and alleviation of poverty. In developing countries agriculture still contributes significantly to their overall GDP and it employs a large proportion of their work force. The land holdings are, however, very small, unirrigated and dependent on the vagaries of nature. The agricultural practices are labour intensive with relatively low intensity of farm inputs. Further, environmental degradation including soil erosion resulting, *inter alia*, from the excessive use of chemical pesticides and fertilisers has resulted in significant reduction in land productivity. The farm productivity in developing countries is, therefore, very low. As most of the farmers of developing countries are engaged in subsistence land farming, their participation in international trade is quite marginal. The food needs and supply gaps in developing countries are developmental problems and thus all their policies for agricultural development aim at harnessing the potential for increasing productivity and production in the agricultural sector.

Agriculture employs over 70 percent of the labour force in low-income countries, 30 percent in middle-income countries and only 4 percent in high-income countries. Despite such an importance, there exists a meagre domestic support and virtual absence of export

subsidies in the developing countries.

On the other hand the developed countries have been protecting their agriculture not only by providing domestic supports to farmers but also by providing subsidies to the exporters of agricultural products. Besides, they are protecting their farm sector through high tariff walls.

Agriculture has always been a subject of major concern for the developed as well as developing countries. Be it from the point of view of trade or food security there has always been politics in it. The protectionist approach of developed countries contributed towards making agriculture one of the most distorted sectors in the world trade.

The excessive protection resulted in dissatisfaction among various players of the field, which made them unite together in order to oppose the protectionism prevailing in the agricultural sector. A group of 15 (now 18) 'fair trading' agricultural exporting nations named as Cairns Group (a group of developed as well as developing countries) supported by USA (whose intention was to liberalise the market of EU while protecting its own) mooted extensively the proposal for agricultural liberalisation during UR of multilateral trade negotiations. The resultant Agreement is known as Agreement on Agriculture (AoA), which is still considered one of the most contentious agreements ever

produced in the history of GATT/WTO. This could be one of the reasons why it was included as a built-in-agenda item, the review of which was mandated to start no later than 1 January 2000.

When the AoA was being negotiated there was much disagreement as to whether trade liberalisation was the best objective, and GATT the best venue, for agricultural reforms. Despite the oppositions from various quarters, negotiations on agriculture went ahead, albeit slowly and with plenty of stalemates. The final deal struck between the US and the EU at Blair House in 1992 was imposed on the other parties to the negotiation. The deal did little to quiet the fears of the skeptics. The salient features of the AoA are included in Box 1:

### Objectives of the AoA

The Agreement on Agriculture sets out a programme for progressive liberalisation of trade in agriculture. The Agreement also stresses that developed countries while making market access commitments, take fully into account the need to improve opportunities for agricultural products of particular interest to developing countries. The objectives of AoA are summarised below:

- to establish a fair and market oriented agricultural trading system and to initiate through the negotiation, commitments on support and protection and the establishment of strengthened and more operationally effective GATT rules and disciplines;
- to achieve specific binding commitments in each of the following areas: market access, domestic support, and export competition, and to reach an agreement on sanitary and phytosanitary issues; and
- to take account of particular needs and conditions of developing country Members by providing for greater improvement of opportunities and terms of access for agricultural products of particular interest to these Members, including the fullest liberalisation of trade in tropical agricultural products.

In order to understand the impact of agricultural liberalisation, it is necessary to elaborate upon the three major areas of commitment envisaged by the AoA, namely, market access, domestic support and export competition.

#### **Commitment on market access**

In order to get members to fulfil the commitments, the AoA requires them to (a) turn non-tariff barriers into tariff barriers; and (b) set minimum levels for import share.



### The AOA Fact Sheet

- The AoA developed into a deal struck between the United States and European Union.
- It covers increased market access, reduced domestic support for farmers and export subsidies.
- Food security and environmental protection are mentioned as objectives.
- The AoA gives developing countries longer period to implement reduction commitments and demands fewer cuts.
- The benefits of the AoA were expected to be unevenly spread.
- A key impact of the AoA was expected to be an increase in dependency of food imports by developing countries and an increase in world prices for farm products.
- Despite cuts to price support in developed countries, distortions caused by surplus were predicated to persist.

*Source: Murphy, Sophia (1999), CIIR, London*

Previously many countries were imposing quantitative restrictions to limit the volume of import of particular agricultural products. Such imposition not only meant harassment to the exporters but created unpredictability in the system. To address this problem, the AoA requires the member countries to turn non-tariff barriers to tariffs. This process is known as tariffication. As for the reduction commitment, the developed countries were required to reduce their tariff by 36% within a period of six years. The developing countries were required to reduce the same by 24% within a period of ten years.

#### **Commitment on domestic support**

The basic aim of the measure was to reduce the grants and subsidies provided to the domestic producers. The two-fold objectives of this are:

- to define support to farmers that is acceptable; and
- to define support to farmers that is unacceptable and reduce the same.

In order to do so a similarity to the traffic light was drawn and measures were divided into three Green, Amber and Blue boxes. Green box measures were considered to be not distorting trade and were excluded from any reduction commitment. This included general agriculture support policies, such as basic research & development, pest and disease control, food security and domestic food aid. It was also made clear that these measures should not involve price support to the agricultural producers. Amber box measures contain certain price support measures aimed at farmers. These are calculated on a product by product basis and must be reduced by 20% in developed countries by 2000 and 13.3% in developing countries by 2004. LDCs are exempted from this clause. Blue Box measures are exempt from

reduction. The Blue box subsidies are direct payments under 'production-limiting' programmes. They need not be cut because they are [supposedly] related to factors of production but not to price and volume of output, and hence "least trade distorting".

### **Commitment on export competition**

The objective of this is to resolve the anomalies in the trade of agricultural goods due to government interference and subsidy given to the exporters. Under this commitment, the AoA seeks to define the export subsidies and reduce their level.

The AoA sets down rules for the reduction of export subsidies, including:

- the exporting of crops at below domestic price (i.e. dumping subsidised crops on the world market);
- payment to producers dependent on export performance; and
- other subsidies such as transport and subsidies which depend on a certain product mix (i.e. promoting the use of one crop over another).

Developing countries are allowed to maintain certain subsidies related to transport and marketing measures in order to ease the difficulty being faced by them in getting their agricultural products to the market. The Agreement also contains *de minimis* provisions, which exempt such export subsidies from reduction support that are less than 5% for developed countries 10% for the developing countries.

### **Liberalisation in whose interest?**

It is perceived that the actual implementation of AoA is not in the interest of developing countries. As reported by Aileen Kwa (2000) in *The Agreement on Agriculture: change requires a hero's journey* quoting the FAO report, "on the whole, few studies reported improvements in agricultural exports in post UR period – the typical finding was that there was little change in the volume exported or in diversification of products and destinations. The developed countries have become successful in circumventing the provisions of AoA in order to continue their agricultural policies to gain much by loosing less. The provisions facilitated the developed countries to have access in the market of developing countries. Simultaneously it created an invisible barrier for the agricultural commodities to enter the market of developed countries."

The same FAO report indicates that for developing countries food imports were reported to be rising rapidly in most case studies. There was a remarkably similar experience with import surges in particular products in the post UR period. These were dairy products (mainly imports of milk powder) and a meat product (mainly poultry). On the whole, a common observation was the asymmetry in the experience between the growth of food

imports and the growth of agricultural exports. While trade liberalisation had led to an almost instantaneous surge in food imports, these countries were not able to raise their exports.

As reported by *The Economist* (July 28<sup>th</sup> 2001), recent calculations by Drusilla Brown of Tufts University and Alan Deardorff and Robert Stern of the University of Michigan suggest that reducing tariffs on agricultural and industrial products and services by 33% would give a one-off boost to global welfare of just over US \$ 600 billion. The benefits from reduction in agricultural tariff will be much higher because agricultural tariffs have remained around 40% despite over five decades of multilateral trade negotiations. Compare this with industrial tariffs, which have reduced from 40% over five decades ago to 4% at present.

One of the major gainers of whatever liberalisation taken place so far and whatever incremental liberalisation that is going to take place in the near future will be the members of Cairns Group, which prefer not to see anything beyond liberalisation of agricultural trade. Within the members of the Cairns Group too, it is the large and dominant traders of agricultural produce, which have gained or are going to gain because of the liberalisation of this sector. Small and marginal farmers, whom liberalisation of agriculture is supposed to serve, are not going to gain from the opening up of this sector.

### **Denial of market access**

From the above it can be inferred that the desired market access for agricultural products of developing countries could not be achieved due to various reasons. They may be summarised as follows:

**Sanitary & Phytosanitary measures :** According to the report of FAO the problem being faced by the developing countries in exporting their agricultural product is due to the Sanitary & Phytosanitary measures adopted by the developed countries. A major problem is that there is a lack of mutual recognition of inspections and standards. Several major importing countries are asking for 'sameness' in the process rather than equivalence.

**Dirty tariffication:** At the time of converting non-tariff barriers (NTBs) into tariff, developed countries inflated the value of their NTBs to fix indefensibly high level of tariffs on agricultural products, which are known as dirty tariffs. Some examples of dirty tariffication that are prevalent in Quad Bloc (Canada, Japan, the EU and the USA) include Canada imposing a tariff of 360% on butter, EU levying a tariff of 213% of beef, Japan imposing 388.1% tariff on wheat products and USA charging 244.4% duty on sugar.

**Tariff escalation:** Tariff escalation (the situation where tariffs rise as the processing chain advances) was reduced slightly in the post UR period. However, it still prevails. A FAO study indicates that post UR tariff wedges (i.e.

the difference between the tariffs on processed products and a primary input commodity) in developed countries remain at an average tariff escalation of 17 percent.

**Tariff rate quota (TRQ):** The purpose behind introducing the system of tariff quotas under the AoA was to ensure that the tariffication process would not reduce the current level of imports, or prevent the achievement of agreed upon level of access for products previously subject to non-tariff barriers. However, the implementation of the tariff quota system was left up to importing countries, which resulted in little improvements in additional access under the quota scheme for developing countries.

**High subsidies in OECD countries:** The high OECD subsidies are a major market access obstacle of developing countries. The subsidies result in huge OECD food surpluses, which are often exported to developing countries, hence taking away third country markets from exporting developing countries. In addition to this, subsidised OECD import into developing countries destabilises and depresses prices, destroys producers, and hence reduces developing countries' production capacity and export potential.

## Review of AoA

Article 20 of the AoA under the rubric continuation of the Reform Process in agricultural trade states:

“Recognising 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 objectives 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.”

WTO Secretariat had initiated Analysis and Information Exchange (AIE) since 1998 itself, where the issues related to review was supposed to be discussed. But the Members continued to have conceptual differences on the issues to be discussed. Some countries have described the mandated issue of Article 20 as a ‘tripod’ whose three legs are market access, domestic support and export subsidies. Whereas others say it is a ‘pentangle’ whose five sides also include non-trade concerns and special and differential treatment for developing countries.

During the review process, the old alliances remain intact. While the EU, Japan and Korea continue to oppose the liberalisation process in agriculture, the US and the Cairns Group have been pushing for the further liberalisation of this sector. In between these two sharp contrasts lie a host of net food importing developing countries (NFIDCs), LDCs and other developing countries. These countries have been demanding relaxed rules on health and safety standards so as to be able to expand their market access. They feel that the fulfilment of the above demands would lead to increase in their export and foreign currency thus earned can be used in the import of the food grains.

The proposals received from various countries and groups cover all major areas of the agricultural negotiations and a few new ones. The views expressed in the papers and during the meetings have been very wide at the present stage. The next stage will probably be tougher. Broader political decisions will be needed to narrow the gaps between the various positions. At the same time, a lot of technical work will be needed to iron out the details.

As per the *Agriculture Negotiations: Background* produced by the WTO secretariat based on the papers submitted by the Member governments, the issues of their concerns can be clustered into the following categories:

### **Export subsidies and competition**

Some countries are proposing the total elimination of all forms of export subsidies, in some cases with deep reductions right at the start of the next period as a ‘downpayment’. Others are prepared to negotiate further progressive reductions without going for the subsidies’ complete elimination, and without any ‘downpayment’. In addition, some countries would like to extend and improve the rules for preventing governments getting around (‘circumventing’) their commitments — including the use of state trading enterprises, food aid and subsidised export credits.

Several developing countries complain that the rules are unequal. They object, in particular, to the fact that developed countries are allowed to continue spending large amounts on export subsidies while developing countries cannot because they lack the funds, and because only those countries that originally subsidised exports were allowed to continue subsidising — albeit at reduced levels.

### **Market access: tariffs and tariff quotas**

Nowadays, among the WTO Members, agricultural products are protected only by tariffs. All non-tariff barriers had to be eliminated or converted to tariffs as a result of the UR. In some cases, the calculated equivalent tariffs — like the original measures that were tariffied

— were too high to allow any real opportunity for imports. So a system of tariff-rate quotas was created to maintain existing import access levels, and to provide minimum access opportunities. This means lower tariffs within the quotas, and higher rates for quantities outside the quotas.

However, because of the way quotas are administered, it is impossible for developing countries to take advantage from this system.

### **Domestic support**

As mentioned earlier, in the WTO terminology, subsidies in general are identified by ‘boxes’ which are given the colours of traffic lights: green (permitted), amber (slow down — i.e. be reduced), and red (forbidden). In agriculture, things are, as usual, more complicated. The AoA has no red box, although domestic support exceeding the reduction commitment levels in the amber box is prohibited, and there is a blue box for subsidies that are tied to programmes that limit production.

In relation to ‘amber box’, various proposals deal with how much further these subsidies should be reduced, and whether limits should be set for specific products rather than having overall “aggregate” limits.

Concerning ‘green box’ subsidy, some countries say that they would like to review the domestic subsidies listed in the green box because they believe that some of these, in certain circumstances, could have an influence on production or prices. Some others have said that the green box should not be changed because it is already satisfactory. Some say that the green box should be expanded to cover additional types of subsidies.

Similarly, in relation to ‘blue box’ subsidies, some countries want it scrapped. Others say that the blue box is an important tool for supporting and reforming agriculture, and for achieving certain ‘non-trade’ objectives, and argue that it should not be restricted as it distorts trade less than other types of support.

### **Developing countries**

Developing countries are getting more active in agriculture negotiations and several groups have put their names to negotiating proposals. In general, they reflect a diverse range of interests in the debate, and the distinctions are not always clear. The interests of developing countries are represented by two separate groups, namely, ASEAN, and a group of 11 developing countries. Although Cairns Group has also underscored the need to provide special and differential treatment to the developing countries, its sole intention being further liberalisation of agriculture at any cost, could run, at times, in cross purpose with what developing countries have been voicing for.

Their main concerns are in the areas of market access restrictions on their agricultural produce because

of prohibitive duty in the developed countries market and hampering of their agriculture processing units due to tariff escalation. They also feel that WTO arrangements should be more flexible so that developing countries can support and protect their agricultural and rural development and ensure the livelihoods of their large agrarian population where farming is quite different from the scale and methods in developing countries.

Some smaller developing countries have expressed concerns over the erosion of preferential treatment due to reduction of tariff at a faster pace. A number of developing countries which depend on imports for food supply are concerned about possible rises in world food prices as a result of reductions in richer countries’ subsidies.

### **Transition economies**

The proposals dwelling on concerns of countries in transition from central planning to market economies deal with domestic support and market access. These countries say that shortage of capital, lack of a well-functioning credit system, government budget constraints and other problems they are experiencing in the transition mean that exposing agriculture to market forces would disrupt the sector.

For domestic support, these countries are calling for extra flexibility in providing certain subsidies (for example for debt and interest payments) and in general allow them higher ceilings on amounts of support that are considered small enough (‘de minimis’) not to be counted in reduction commitments. Under market access they want to continue protecting some of their own products with existing tariff levels — without having to reduce them further — including those that already have low tariffs. They also want to negotiate the removal of non-tariff barriers in their export markets.

### **Non-trade concerns**

The AoA provides significant scope for governments to pursue important ‘non-trade’ concerns such as food security, the environment, structural adjustment, rural development, poverty alleviation, and so on. Article 20 also says the negotiations have to take non-trade concerns into account.

Most countries accept that agriculture is not only about producing food and fibre but also has other functions, including these non-trade objectives — although some dislike the buzzword ‘multifunctionality’. Some countries maintain that all the objectives can and should be achieved more effectively through ‘green box’ subsidies, which are targeted directly at these objectives and, by definition, do not distort trade. Other countries say that the non-trade concerns are closely linked to production. They believe subsidies based on or related to production are needed for these purposes. For example,

rice fields have to be promoted in order to prevent soil erosion, they say.

A number of countries have produced studies to support their arguments, and these studies have also been debated. Some other countries responded by agreeing that everyone has non-trade concerns and by calling for proposals for specific measures to be tabled so that the negotiations can move on to whether trade-distorting measures are really justified.

According to India, in large agrarian economies like India, a purely market-oriented approach may not be appropriate. Instead, for some countries, it may be necessary to adopt what India would like to term a 'market plus' approach, in which non-trade concerns such as the maintenance of livelihood of the agrarian peasantry and the

production of sufficient food to meet domestic needs are taken into consideration. The following text summarises India's Market Plus approach: "developing countries need to be allowed to provide domestic support in the agricultural sector to meet the challenges of food security and to be able to preserve the viability of rural employment as different from the trade distortive support and subsidies presently permitted by the Agreement."

Not only this, the Indian government has gone a step further to introduce direct subsidy to the exporters of all agricultural commodities who are disadvantaged due to fixation of minimum support price by the government. See Box 2 for further details.

### **Animal welfare and food quality**

Two new issues, which have not specifically been written into the Agriculture Agreement, have been the subjects of proposals submitted in 2000. One deals with animal welfare, and includes the idea of compensating farmers for the extra costs they bear when they are required to meet higher standards of animal welfare. Under the proposal, these payments would be in the green box of permitted domestic support. The debate has partly been about whether this would be at the expense of human welfare, particularly in poorer countries.

A separate proposal on food quality deals with reserving the right to produce food of specific characteristics associated with specific localities. The debate is linked to the discussion in the TRIPS (intellectual property) Council on geographical indications. Countries opposing the discussion argue that it should be handled in other WTO committees such as the TRIPS Council and the Technical Barriers to Trade Committee.



## **India Plans Direct Subsidy for Agricultural Exports**

The Indian government proposes for the first time to give direct subsidies to exporters of all agricultural commodities disadvantaged in world markets because of minimum support prices (MSPs). The subsidies would be paid through a savvy new mechanism compatible with the Agreement on Agriculture. This means traders exporting commodities with an ever-increasing MSP like wheat, rice, sugar and pulses would be paid back the difference between their total costs and the final realised export price.

The new subsidies are targeted at reducing costs of marketing and handling, upgradation and processing, cost to international freight and transport and freight charges. It has been stated after a close reading of the fine print that all the new direct subsidies are GATT-legal because India is not subject to any norms for reducing them progressively as it is a developing country.

The danger of being dragged to the Dispute Settlement Panel by developed nations like the US and Canada, who have already questioned India for giving prohibited export subsidies in the meeting of the Committee on Agriculture in WTO held in March this year has also been realised.

*Source: The Economic Times, 20.06.01*

The EU is the only one to have proposed these arrangements to be incorporated in the AoA. The genesis of their proposal on animal welfare is that there be a detailed examination of various approaches that enables WTO Members to develop an approach to address adequately the issue of animal welfare within the WTO, without conflicting with the long-term objectives of trade liberalisation in agriculture and food security. Similarly, in their proposal concerning Food Quality they state that effective protection should be provided against usurpation of names in the food and beverages sector; the legitimate title holders should not be prevented from using the name; and consumer protection and fair competition should be ensured through regulation of labeling.

### **The Peace Clause**

Article 13 ('due restraint') of the AoA protects countries using subsidies, which comply with the agreement from being challenged under other WTO agreements. Without this 'peace clause', countries would have greater freedom to take action against each others' subsidies, under the Subsidies and Countervailing Measures Agreement and related provisions. The peace clause is due to expire at the end of 2003.

Some countries want it extended so that they can enjoy some degree of 'legal security', ensuring that they will not be challenged so long as they comply with their commitments on export subsidies and domestic support under the AoA. Some others want it to lapse as a part of their overall objective to see agriculture brought under general WTO disciplines.

As per European Commission's Comprehensive Negotiating Proposal, "the need for the continuation of a 'peace clause' is the logical corollary to the specific nature

of the AoA. In addition to that a ‘peace clause’ defines the conditions under which specific support measures may be granted, and therefore, contributes to the enforcement of the reduction commitments which were agreed.”

### **Net food importing developing countries**

Although some countries, especially the ones concerned with the developing countries’ problems and food security have made some mention of the issues concerning NFIDCs, it has not come out as a major issue to be taken up during the forthcoming negotiations of the AoA. So much so that in the official document of the WTO entitled: *Agriculture Negotiations Backgrounder*, this issue has not been included among the number of sub-topics it has dealt with. However, this issue remains a major concern for the developing countries, which are dependent on international agricultural market for meeting the demand and supply imbalance of the agriculture commodities, including staple food items.

However, in parallel to the formal meetings of the WTO, some other meetings have also been taking place in other multilateral fora as well. For example, on 24-26 July 2000, the UN Conference on Trade and Development (UNCTAD) hosted an Expert Meeting on the Impact of the Reform Process in Agriculture on LDCs and NFIDCs. Its main objective was to exchange views on the impact of the agricultural reform process – in particular, the implementation of the WTO AoA as experienced by individual LDCs and NFIDCs.

While expressing how their concerns could effectively be addressed in the continuation of the reform process, several countries pointed out their experiences with ratios of food imports relative to agricultural exports. There appeared to be some consensus that surges in imports and negative impacts on crop area and production were due to the elimination of non-tariff barriers and fixing of applied tariffs on agricultural commodities.

Many countries have asked that agriculture negotiations take into account the need for increased technical and financial support to enable LDCs and NFIDCs to expand production of exportable commodities and service export markets.

### **Proposal to include “Development Box”**

According to the paper submitted by a group of 11 developing countries to the meeting of the WTO Committee on Agriculture, “the existing AoA seems to bestow special and differential treatment on developed rather than developing countries”. The countries proposed collapsing all domestic support categories into one ‘General Subsidies’ box, and eliminating the current box system. They also pointed out that the AoA “has not satisfactorily addressed the food security and development concerns” and in order to change that a “development box” should be created to specifically address the needs of developing countries. In a nutshell, inclusion of a development box in the AoA can be described as presented in the Box 3:



### **Development Box in Black and White**

The Group of 11 developing countries, which have proposed that a Development Box be included in the AoA, wants the following demand fulfilled:

- Allowing developing countries to use a positive list approach to declare which agricultural products or sectors they would like to have disciplined under the AoA provisions. In other words, only those products, which are declared by a country, should be subject to AoA commitments.
- Allowing developing countries to re-evaluate and adjust their tariff levels. Where it has been established that cheap imports are destroying or threatening domestic producers, developing countries should be allowed to raise their tariff bindings on key products to protect food security.
- Reducing tariff peaks and escalations prevailing in OECD countries, especially for products of interest to developing countries.
- Allowing developing countries an additional 10 percent on their *de minimis* support level i.e. bringing the level from 10 to 20 percent.
- Prohibiting developed countries from the use of Special Safeguard Clause. This Clause instead should be opened up to all developing countries. Developing countries should be allowed to invoke the Clause on the basis of low prices or high volumes.
- Prohibiting dumping in any form.
- Eliminating all forms of export subsidies (direct or indirect) by developed countries.

### **Prediction about Doha**

The Cairns Group wants ambitious commitments at Doha to tearing down barriers, as well as a clear timetable for tying up talks. They want agriculture to be treated as any other traded goods. The Americans have publicly called for free trade in farming (which would help commodity producers), though in fact, as big subsidisers and protectors of farms, they would find real reform very hard. But it is the EU and Japan, with lots of small and highly subsidised and massively inefficient producers, that find every step to freer farm trade painful. Therefore, if Doha mandate suggests that agriculture should be governed only by trade concerns, “there will be no agreement” in the words of Pascal Lamy, the EU Trade Commissioner.

The US and the EU have made little progress on narrowing down their differences. The US wants broad talks on reducing trade-distorting subsidies, whereas the EU favours a narrow negotiating agenda. According to

Robert Zoellick, the US Trade Representative (USTR) there is a need to send a clear signal to developing countries that a broad set of agriculture support schemes would be on the table in a new round.

Environmental issues, which could be placed for discussion during Doha Ministerial, is closely linked to agriculture. Despite the US opposition to this issue being included the EU and Japan are all set to make this happen. The EU also wants to introduce the precautionary principle into the WTO agreements, which among others could allow countries to block imports of bio-engineered farm products perceived as posing a possible threat to their citizens and plants, even in the presence of uncertain science. The US, which maintains significant export interests in GMOs (Genetically Modified Organisms), is opposed to such an approach.

As reported in *The Economist* (July 28<sup>th</sup> 2001), the alternative suspicion, widely held among developing countries, is that the EU wants to use environmental issues as a back door to [agricultural] protectionism. If Europe is obliged to lower agricultural trade barriers, it will simply keep out food products by finding some “green” objection to them.

It is an open secret that the EU’s proposal to have a broad round of negotiations during Doha Ministerial Conference hinges on the possibility of trade off which they would have if they were forced to make political ticklish concession on agriculture.

## Conclusion

The true essence of AoA lies in the liberalisation of trade in agriculture. Toppling the wall of protectionism in order to induce a fair trade as opposed to distorted trade has been one of the prime objectives of this agreement. The entry of Cairns Group in the battlefield with this objective is appreciable. However, they have not been able to reflect the food security concerns of their own member countries, let alone the countries in the South Asia region.

The stagnation and even deterioration in trade in agricultural products is the cause for concern especially for the low-income countries. For them it is not only the matter of trade but also the subsistence of more than 70 percent of its population. If the process of liberalisation could be made transparent and developed countries could be made to implement the provisions of the Agreement, as honestly and as completely as possible, there will be tremendous amount of market opening for the developing as well as LDCs to take advantage from. The on-going review of the AoA provides a window of opportunity for the vulnerable countries. They should try to make best utilisation of the same. The issue of NFIDCs has been sidelined for a long time. This should be brought under sharp focus during the run up to Doha Ministerial Conference, during the Conference and even after the Conference.

## Recommendations

- Since export subsidy is the most trade-distorting one it should be completely done away with.
- The proposal made by a group of eleven developing countries to include Development Box in the AoA should be seriously considered.
- Special and differential treatment must be made binding with proper provisions for notification and monitoring.
- Increased market access for agricultural products should be provided to the developing and least developed countries by forcing the developed countries to implement the existing and future commitments in honest and faithful manner.
- Food Security needs of the starving population of the South Asia should not be compromised during the process of agricultural liberalisation. Therefore, special safeguard measures and flexibility should be provided to the net food importing developing countries.

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