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WTO AGRICULTURE AGREEMENT

Dr. Sherry Stephenson

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WTO Agreement on Agriculture

Three components:

I. Market Access

- Tariffication of NTMs
- Tariff reduction
- Binding
- Minimum access levels

II. Domestic support measures

- Reduction required

III. Export Subsidies

- Reduction required

WTO Agreement on Agriculture

➤ **Market Access Provisions**

- 1. Conversion of all NTMs into tariffs**
 - QRs, Variable Levies, MIPs**
 - Only exceptions allowed: Japan, Korea and Philippines for rice**
- 2. Standstill on NTMs after conversion**
- 3. Tariff reduction and binding**
- 4. Minimum access commitments**
- 5. Special safeguard measures**
- 6. Resumed negotiations in 1999**

WTO Agreement on Agriculture: Some Tariffication Examples

	<u>S Africa</u>	<u>US</u>	<u>EU</u>	<u>Japan</u>
Cotton	60%	31.4 c/kg	Free	Free
Tobacco	44%	32.7 c/kg	30Ecu/kg	Free
Sugar	105%	33.9 c/kg	419Ecu/mt	71.54y/kg
Rice	5%	Free	211 Ecu/mt	352y/kg*
Maize	50%	Free	94 Ecu/mt	Free
Groundnuts	70%	163.8c/k	Free	617y/kg

➤ Egypt removed poultry from import ban and tariffied at 80%.

* **Approximately 355% Ad-valorem equivalent. Rice imports went from 0 to 6.4% of Japan's market**

WTO Agreement on Agriculture: Minimum Access Levels

Minimum Access Provisions

- 1. Commitments to permit specified import shares of base consumption levels**
 - Base period (1986-1988)
 - If import share less than 5%, should then rise to 5% over a 6-year period
 - For LDC, over 10 years
 - Shares over 5% to be maintained
- 2. Commitment generally administered under tariff rate quota (TRQ)**
 - Out of quota amount subject to new tariffed rate

WTO Agreement on Agriculture: Reduction and Binding of Tariffs

	<u>Average Reduction</u>	<u>Minimum Reduction</u>	<u>Phase-in Period</u>
Developed countries	36%	15%	6 years
LDCs	24%	10%	10 years
LLDCs	None required, only binding		

Uruguay Round Result in Agriculture: Bound and Reduced Tariff Rates

	% of Imports (by value)	
	<u>Developed</u> <u>Countries</u>	<u>Developing</u> <u>Countries</u>
Bound		
Pre-UR	81	22
Post-UR	100	100
Reduction in protection		
Tariffied products	26	17
Untariffied products	35	17

Source: Finger & Schuknecht, "Market Access Advances and Retreats", World Bank study, 1995

WTO Agreement on Agriculture

Special safeguard measures

1. Limited to tariffied lines

2. Volume Triggers

- Import $\geq 5\%$ if share of imports 30%

- Import $\geq 10\%$ if share of imports 10-30%

- Import $\geq 25\%$ if share of imports 10%

3. Price trigger

- 110% of average 1986 CIF entry price

WTO Agreement on Agriculture: Special Safeguard Actions

38 WTO Members including 20 developing countries reserved the right to SSGs

Basis for Action between 1995 -1997

	<u>1995</u>	<u>1996</u>	<u>1997</u>
• Price	42	22	3
• Volume	0	60	55

Between 1995 -1997 SSGs used by 6 members

- 1995 US, EU, Japan, Korea
- 1996 Japan, EU, Korea, Poland
- 1997 Japan, EU, Korea, Slovakia

WTO Agreement on Agriculture

➤ DOMESTIC SUPPORT MEASURES

Aggregate Measurement of Support (AMS) bound and reduced

- Total AMS (excluding Blue and Green Box measures)
 - Blue Box Measures (inter-alia)
 - ⇒ Decoupled income support
 - ✕not linked to base year production
 - Amber Box
 - Green Box includes (inter-alia):
 - ⇒ General Services (extension, pest control)
 - ⇒ Stockholding for food security
 - ⇒ Domestic food aid
 - ⇒ Decoupled income support
 - ⇒ Investment subsidies in LDC (generally available)
 - ⇒ Input subsidies for low income farmers

1. Blue Box Policies

- Includes support policies that can be excluded from reduction requirement - controversial
- Blair House Accord in 1993 between EU and USA :
Direct payment reform programs would not be subject to reduction
 - Decoupled payments - paid amount does not depend on actual production
- All other included in AMS

2. Amber Box Policies

- Includes support policies that are subject to reduction, i.e. all direct payments that do not meet blue and green box criteria
- Domestic market price support
 - Calculated roughly as difference between domestic and world price times tonnage
- Included in AMS calculation and subject to reduction

3. Green Box Policies

- Covers agricultural policies that fall outside the disciplines of the agreement
- Not included in the AMS, not subject to reduction
- Eligible policies include:
 - i. General services (extension, insect control)
 - ii. Stocking to ensure food security
 - iii. Domestic food aid
 - iv. Decoupled revenue support
 - v. Investment subsidies for developing countries (available to all)
 - vi. Input subsidies for farmers with low revenues

WTO Agreement on Agriculture: Reduction of Domestic Support

- Developed countries to reduce Aggregate Measure of Support (AMS) by 20%, staged annually over 6 years
- LDCs reduce AMS by 13%, staged over 10 years
- Least developed - no commitment necessary
- Reductions made to total AMS
 - Not crop by crop
- Current AMS complies if not above
 - 5% of total - developed countries
 - 10% of total - LDCs

WTO Agreement on Agriculture

- **Export Subsidies (reduced and bound)**
 - **Required reduction percentages**
 - **Must be included in schedule**
 - **Cannot exceed binding (3% value, 1.75% quantity)**
 - **Cannot cover new crops**
 - **Includes (inter-alia)**
 - **Direct payments contingent on export performance**
 - **Disposal of government stocks below market prices**
 - **Producer-financed schemes**
 - **Market or freight reduction on export**
 - **Internal freight reduction for exports only**

WTO Agreement on Agriculture: Reduction of Export Subsidies

	<u>Value</u>	<u>Quantity</u>	<u>Period</u>
Developed countries	36%	20%	6 years
LDCs	24%	14%	10 years
LLDCs	None		

WTO Agreement on Agriculture: Net Food Importing Countries

- Net food-importing countries may experience negative effects from agricultural trade liberalization
- Mechanisms set up to make sure food aid is available where needed. Agreement:
 - To review food aid levels and food aid commitments
 - To ensure basic foodstuffs are provided in grant form or concessional terms
 - To provide technical assistance for agricultural productivity and infrastructure
 - To make sure any agreement relating to agricultural export credits gives differentiated treatment to LDCs and NFICs

Egypt's Agricultural Trade: Basic Facts

- ✓ Egypt is a Net Importer of Agricultural Products and a Net Food-Importing Country, although its agricultural trade deficit has decreased in recent years
- ✓ The share of agriculture in GDP has been declining for nearly three decades and was just below 16% in 2003/04. However, the sector is still important for employment (about 34% of the labor force) and generates about 15% of merchandise export earnings (main export products are: cotton, fruit and vegetables, and grains)
- ✓ Agricultural goods make up about 30% of merchandise imports, with maize and wheat being the single most important agricultural imports
- ✓ Financial assistance to the sector is provided in the form of subsidized electricity and water, the latter being provided almost free of charge to farmers. The Government also subsidizes various food products, most notably bread, sugar, and oil, for low-income groups.
- ✓ Since 1999, Egypt has not submitted any notifications to the WTO Committee on Agriculture.

Resumption of Agriculture Negotiations in the WTO - 2000

- ✓ Part of Built-in Agenda
- ✓ TOR developed by Agriculture Committee
- ✓ Issues for the resumed negotiations
 - Market access : tariff reduction
 - Tariff dispersion (peaks and troughs) and escalation
 - Ceiling bindings
 - Erosion of preferences for DCs and LDCs
 - Additional reduction in domestic support
 - Elimination of export subsidies
 - Peace Clause

Agriculture Market Access Issues in current Doha Round Negotiations

1. Tariff dispersion
2. Tariff reduction
 - Minimum reduction
 - Ceiling bindings
 - Significant tariff peaks - for many WTO Members at rates above 100%

Agriculture Market Access Issues in current Doha Round Negotiations

3. Tariff escalation

- Minimum reductions on processed products
 - Resulting in increased escalation – Example

	<u>Base</u>	<u>New</u>	<u>% Change</u>
Raw material	5	1	80
Intermediate	10	8.5	15
Processed	40	34	<u>15</u>
		Average	36%

4. Erosion of preferences

- Lomé
- GSP
- Regional trade agreements

Example of Tariff Escalation: Cotton Chain

EUROPEAN UNION		1995	2001
Cotton		0%	0%
Cotton seed		0%	0%
Cotton cake		0%	0%
Cotton oil	raw	10%	3.2%
	refined	15%	9.6%

Example of Tariff Escalation: Cotton Chain

USA	1995	2001
Cotton	\$369/t	\$314/t
Cotton seed	0.73 cents/kg	0.47 cents/kg
Cotton cake	0.7 cents/kg	0.56 cents/kg
Cotton oil	6.6%	5.6%
JAPAN		
Cotton	0%	0%
Cotton seed	0%	0%
Cotton cake	0%	0%
Cotton oil	17 yen/kg	8.5 yen/kg

Agriculture Issues in current Doha Round Negotiations: Minimum Market Access

5. Minimum Market Access

Purpose : to ensure that imports of sensitive items would be admitted in a minimum quantity

--Base period used to determine tariff quota

--Special safeguard action allowed

--TRQ administration

- Specific country allocations
- Conditions

Agriculture Issues in current Doha Round Negotiations: Domestic Support

6. Domestic Support Issues

- Decision on amount of reduction to AMS - calculated on aggregate or product basis
- Review definition of Amber, Blue, and Green Boxes :
decision on coverage of decoupled support payments

Agriculture Issues in current Doha Round Negotiations: Export Subsidies

7. Export Subsidy Issues

- Additional reductions or elimination?
- Crop specific or aggregate
- Definition of export subsidy: inclusion of export credits?
- Impact on Net Food Importing Countries

Agriculture Issues in current Doha Round Negotiations: Peace Clause

- ✓ Peace Clause (Due Restraint) applied to domestic support measures and subsidies consistent with WTO Agriculture Agreement:
- ✓ These measures not subject to challenge or dispute settlement for 9 years
 - Non-actionable under Subsidies Agreement
 - Exempt from “nullification and impairment” provisions of Subsidies Agreement if do not exceed 1992 levels
 - Expired December 31, 2003

Agriculture Issues in current Doha Round Negotiations: Peace Clause expiration

- ✓ Since expiry of Peace Clause in December 2003, two major WTO panel decisions on disputes brought by Brazil
 1. **COTTON** : Dispute involving the U.S. : panel ruled in favor of Brazil requiring reduction of domestic support and export subsidies to U.S. cotton
 2. **SUGAR** : Dispute involving the EU : panel decision in favor of Brazil requiring reduction of domestic support and export subsidies to EU sugar

Positions in current Doha Round Negotiations :

CAIRNS GROUP

- ✓ All trade distorting subsidies must be eliminated
 - No justification for maintaining export subsidies
 - Clear rules to prevent circumvention of export subsidy commitments
 - Agricultural export credits to be brought under effective international discipline
 - Major reductions in domestic support for all agricultural products
 - Income aids or other domestic support measures to be targeted, transparent, and fully decoupled

Positions in current Doha Round Negotiations : CAIRNS GROUP

- ✓ Market access must be substantially improved and agricultural markets made more efficient
 - Tariff peaks to be reduced and tariff escalation eliminated
 - Market access to be greatly expanded
 - All NTBs to be effectively removed
 - Trade volumes under TRQs to be substantially increased
 - TRQ administration to be improved
 - S & D treatment for developing countries to be an integral part of the negotiations

CAIRNS GROUP

- ✓ Mixture of developed and developing WTO Members – 17 countries
 - Australia, Canada, New Zealand, Argentina, Brazil, Uruguay, Paraguay, Colombia, Ecuador, Bolivia, Chile, Costa Rica, El Salvador, Nicaragua, Guatemala, Honduras, Panama
- ✓ Strong proponents of agricultural reform for many years

Positions in current Doha Round Negotiations : GROUP OF 20

- ✓ **Group formed under leadership of Brazil in August 2003 just prior to Cancun Ministerial Meeting**
- ✓ **Position stronger than Cairns Group –**
- ✓ **Focus is primarily on reform of domestic support and export subsidies**
 - **Export subsidies to be eliminated**
 - **Domestic support to be substantially reduced: Blue Box to be eliminated**
 - **Tariffs to be reduced – more by developed countries**
 - **S & D treatment for developing countries to be an integral part of the negotiations**

Positions in current Doha Round Negotiations : COTTON GROUP

- ✓ **Initiative of cotton-exporting countries in Africa**
- ✓ **Presented “Proposal in Favor of Cotton” in June 2003 which:**
 - i) Described impact of cotton subsidies by developed WTO Members – to depress revenues of African countries by \$250 million / year**
 - ii) Requested the elimination of cotton subsidies and compensation for export losses**

Egypt's Position in current Doha Round Negotiations

- ✓ Egypt is a member of the Group of 20 and supports a meaningful liberalization of the agriculture sector
- ✓ On 21 March 2001, Egypt submitted a comprehensive proposal to the WTO Agriculture Negotiations (G/AG/NG/W/107/Rev.1) which main elements are:
 1. Market Access: Substantial reduction of tariffs and other entry-point charges; elimination of restrictive measures used by developed countries; elimination of Tariff escalation, tariff peaks, tariff disparities; strengthened disciplines on Tariff quota administration; tariff reductions by developed countries should be made from applied, rather than bound, rates; review of the Special Safeguard Provisions
 2. Domestic Support: Substantial reduction of the levels of such support
 3. Export Subsidies: phasing-out of all forms of export subsidization over an agreed period of time; and S&D
 4. NFIDC's and LDC's: Measures to operationalize Marrakech Decision
 5. S&D: Improvement of S&D provisions

Agriculture: Recent Developments in Doha Development Round

- Prior to Cancun Ministerial September 2003
- August 2003
 - presentation by EU and US of Joint Framework Paper for Agriculture Negotiations
 - rejected by developing WTO Members and Cairns Group as too conservative
- August 2003
 - presentation by G20 of alternative Framework Paper
 - much more ambitious with respect to export subsidies and domestic support

Agriculture: Recent Developments in Doha Development Round

- Breakdown of Cancun Ministerial Meeting in September 2003 largely because of agriculture
- January 2004
 - Expiry of Peace Clause
- May 2004
 - Panel Finding on Cotton Subsidies in favor of Brazil (with Benin and Chad as co-sponsors)
 - Panel Finding on Sugar Subsidies in favor of Brazil (with Brazil, Thailand and Australia as co-sponsors) to follow shortly
- All three increased pressure to find solution in agriculture in order to resume Doha negotiations

Agriculture: July 2004 Framework Agreement

Agriculture most important component of July Framework

➤ AGREEMENT ON FOLLOWING

1. Export Subsidies

--elimination of all forms of export subsidies, including measures of equivalent effect, i.e. export credits, state-trading enterprises, food aid

--implementation to be in annual installments

--LDCs can maintain state monopolies and have a longer phase-in period

Agriculture: July 2004 Framework Agreement

2. Domestic Support

- commitment to substantial reductions, including in Blue and Amber boxes

- reduction to be carried out via a formula that will promote harmonization in the use of support, i.e. more support = greater reduction

- cut of 20% in aggregate measure of support AMS during first year

- Blue Box capped at 5% of avg. total value of agricultural production

- ceilings placed on support levels for products

Agriculture: July 2004 Framework Agreement

3. Market Access

- tariff reductions to be made from bound rates through a formula to foster harmonization

- tariff rate quotas (TRQs) to be expanded on “sensitive items” – such as rice

- special treatment for developing countries (through less deep tariff cuts; access to a Special Safeguard Mechanism; possibility to select “special products” based on criteria of food security, development needs, to exempt from tariff reductions)

Agriculture: July 2004 Framework Agreement

4. Cotton

--to be dealt with in context of Agriculture negotiations, not in separate group, but will receive priority treatment

--WTO to work with World Bank on development assistance for restructuring in Africa

--LDCs will not be required to make any commitments on cotton

--developed countries asked to provide duty-free access for cotton exports from developing countries

Agriculture: July 2004 Framework Agreement

TARGET:

- To reach agreement upon full set of Agriculture Modalities by the **Hong Kong Ministerial Meeting in December 2005**

- Remaining to be decided:
 - i) Criteria for selection of sensitive & special products
 - ii) Definition of the formula for tariff reduction
 - iii) Schedule of implementation of agreed outcomes
 - iv) Size of reduction in domestic support

Current Situation

- Discussion issues remain the same
- US Proposal, October 2005: substantial reductions of trade-distorting support measures and tariffs, along with the elimination of export subsidies. The first phase eliminates export subsidies and reduces worldwide tariffs and trade-distorting domestic support over a five-year period. This would be accomplished by harmonizing tariffs and trade-distorting domestic support at substantially lower levels than what is currently allowed. The second phase is the eventual elimination of all tariffs and trade-distorting domestic support.
- EU counter Proposal, October 2005: Proposed average cut of 39 percent, which is lower than tariff cuts proposed by the United States and the G-20. It also contains a large number of exceptions for sensitive products
- Proposed US Farm Bill 2007 and potential effects on the developments of the Doha Round agriculture negotiations: US support programs were revised in the proposals in order to eliminate their market distorting effect