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From the Director's Desk

Prabir Sengupta

Market access in agriculture continues to be an area of conflict in the ongoing Doha Round negotiations. Wide differences persist between the principal protagonists on the levels of ambitions for effecting tariff cuts. The Hong Kong Ministerial made some progress where an agreement was reached on a four-band approach, which would ensure that higher levels of tariffs are subjected to steeper cuts.

At the same time, WTO Member countries have also been considering the average reduction in agricultural tariffs that they would have to accept, while they follow the banded approach. Inclusion of this dimension may be useful for it could indicate the levels of ambitions that WTO members have set for themselves. But at the same time, consideration of average reductions could render the negotiations more complicated as members would seek to calibrate the thresholds for tariff reductions in the banded approach to match their average reductions.

For most developing countries, the key issues in the market access negotiations are: (i) designation of "appropriate number" of Special Products (SPs), and (ii) coverage of Special Safeguard Mechanism (SSM). Developing countries have long insisted that they must be allowed to "self-designate" SPs which address their concerns relating to food security, livelihoods and rural development.

In the Hong Kong Ministerial Conference, developing countries had a modicum of success when WTO members agreed that these countries "will have the flexibility to self designate an appropriate number of tariff lines as SPs based on the criteria of food security, livelihood and rural development." The Declaration also added, developing countries "will also have the right to have recourse to a SSM based on import quantity and price triggers ..."

This agreement in the Hong Kong Ministerial Conference should be seen as a vindication of the position of the G-33, the key proponent of SPs and SSM. This group has argued that developing countries must have the right to self designate "at least 20 per cent of the tariff lines" as SPs. G-33 further emphasized that 20 per cent of identified SPs shall not be subjected to any tariff cuts, and that tariff cuts on SPs shall not be more than 10 per cent. But the US has argued that SPs should be "limited to no more than 5 per cent tariff lines at the detailed duty level." This development makes it imperative for countries like India to adopt measures for strengthening the G-33 alliance, the group that maintains the SPs and SSM are essential for developing countries to pursue their development objectives.

Farm Trade Negotiations in Doha Round

The Issue of Market Access

Nitya Nanda *and* ***Pranav Kumar****

As usual, agriculture continues to be the most contentious issue in WTO negotiations. However, there has been a qualitative shift in the nature of negotiations as the focus has now shifted from subsidies to market access. This has happened because of shift in the focus of negotiations towards special products (SPs) and special safeguard mechanism (SSM) on which there are differences even among the developing countries. Nevertheless, except a handful of them, most of the developing countries including LDCs are not major farm exporters, and protecting the livelihood of millions of resource poor farmers from the adverse impact of trade liberalization is of paramount importance for them. Hence if the developed countries continue to ignore the concerns of the majority of developing countries, any further progress on market access negotiations, and even the progress in the Doha Round will be difficult to materialize.

I. Introduction

TRADE in agricultural products accounts for only about nine per cent of global merchandise trade and only about seven per cent of total global trade (including services). Agriculture is also an area that came into the GATT/WTO framework only during the Uruguay Round of negotiations. Yet, agriculture has been the most important and contentious area that very often makes or breaks the deals in WTO negotiations as a whole. For example, the basis for concluding the Uruguay Round of GATT was the bilateral agreement between the United States and the European Union – the Blair House agreement where the main issue was agriculture.

As the current Doha Round of negotiations continues, agriculture remains to be the most contentious issue till date. The failure of the Cancun Ministerial Meeting, the first Ministerial after the Dhoa Round in 2001, ended in a failure as it witnessed a stand-off between EU and developing countries, especialy G-20 over the issue of farm subsidies. Further, the four Singapore Issues created a division among developed and deveoping countries. Many feel that the EU's insistence to start negotiations on these issues which most developing countries opposed, was intended to block any progress on agriculture. Hence they linked agriculture to these issues, especially the issue of investment which was unacceptable to most developing countries.[1] It may also be noted here that a similar situation was created in an earlier Ministerial Conference at Seattle which also failed.

At Hong Kong Ministerial, the situation was no different. A fierce tri-partite battle involving the EU, the US and the G-20, was witnessed over the end-date for elimination of export subsidies and disciplining food aid. However, WTO members did not want to repeat Cancun and hence put together some tentative arrangements. In effect, the stalemate was postponed which has appeared now. The failure to meet the April 30 deadline indicates growing divergence among members following Hong Kong Ministerial.

There has, however, been a qualitative shift in the nature of the stalemate. Among the three pillars of agricultural negotiations, i.e., export subsidies, domestic support, and market access, earlier the focus used to be largely on the first two pillars, subsidies of both types, while now, the focus is completely on market access, where developing

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country like India may have to face more obligations. This has happened because of shift in the focus of negotiations towards special products (SPs) and special safeguard mechanism (SSM).

The present paper tries to capture the ongoing stalemate on farm trade negotiations under the Doha Round, which is unlikely to clear way for movements on other fronts.

II. Current State of Negotiations on Three Pillars of AoA

II.1 Export Subsidies

Elimination of export subsidies on agricultural products is one of the goals of the Doha Round. However, the issue was how soon it could be achieved (Dubey 2006). The EU was the main stumbling block to an early elimination. In Hong Kong, however, the EU was forced to agree to a deadline of 2013, though most developing countries led by G-20 wanted it to be earlier by 2010. Nevertheless, it was assumed that with such conditional agreements, the most contentious issue in export subsidies may be resolved. The EU accounts for the bulk of global export subsidies. No roadmap was, however, agreed on the phasing out of export subsidies which was agreed to begin only after the conclusion of the Doha Round as a whole.

Unlike market access and domestic support the degree of divergence among WTO members is relatively less on export subsidies. But that does not mean this part of negotiations is in the bag as opined by Ambassador Falconer.[2] The agreement reached is tentative and will be confirmed only upon the completion of the modalities as well as parallel and commensurate progress in dealing with other related issues like export credits, food aid, and exporting state trading enterprises. Since Hong Kong, there has been some progress on these issues, particularly export credit and state trading enterprises.

The recent Chair's Reference Paper on Possible Modalities of Export Competition, released on 15 June 2006, states that there is a good prospect of elimination of export subsidies. However, the biggest challenge remains to make it operationally effective. The negotiations so far have only scarcely dealt with concrete terms of phase-out steps. The draft modalities attached with the Reference Paper does provide a formal vehicle for that. But what it needs are the numbers which are yet to be filled in. That is, of course, not some kind of negotiating oversight. It reflects as much as anything the fact that the members have to this point still fallen short of getting into the serious deal-making zone on the important issue of "parallelism".

II.2 Domestic Support

Export subsidies account for only a minor part, roughly three per cent of the total farm support. Domestic subsidies constitute the major problem and significant progress in this regard is necessary to make any real progress in agricultural negotiations. In Hong Kong, three bands for reduction in the final bound total trade distorting subsidies, with higher linear cuts in higher bands, were agreed. It was also agreed that the base point for reduction would be the final bound rates of subsidies and not the applied rates as demanded by many. The extent of reduction was, however, still a matter of negotiations.

In Hong Kong, it was agreed that those developing countries whose domestic support is below 10 per cent and hence have no commitment to reduce them, will be exempt from reductions in de minimis (minimum levels of support) as well as in the overall trade distorting domestic support which came as a relief to many developing countries. There was a proposal on the table for undertaking negotiations for reducing the de minimis, permitted for developed and developing countries, that are exempt from reduction, and developing countries, which are entitled to a de minimis of 10 per cent of total production, opposed this move.

Post-Hong Kong, members continue to struggle with the question of how to ensure that green box[3] subsidies fulfil the "fundamental requirement" that they have no, or at most minimal, distorting effects on trade or production. The G-20 developing countries and the Cairns Group of farm exporters have expressed scepticism about the purported absence of distorting effects, especially with regard to direct payments. They have proposed reforms aimed at minimizing any distortion. The EU, in contrast, opposes extensive changes to the green box. The review of the green box supports remains a major concern for developing countries which seek to discourage box-shifting practices of developed countries and their compliance with regard to their "decoupled" payments and other green box instruments with the criteria set forth, i.e. these should not be or minimally trade-distorting. At the same time another contentious issue is the need for new green box provisions to accommodate development programmes of developing countries aimed at alleviating poverty, promoting agrarian reforms, etc., may be thoroughly looked at to address the developmental dimension of Dhoa Negotations.

Equally important is the issue of additional criteria for blue box supports. However, on this, members have only repeated longstanding differences without making any progress. The US and the EU indicated a willingness to engage with Benin, Burkina Faso, Chad and Mali, the four West African countries that have called for the ceiling on blue box cotton payments to be one-third of the overall cap. This has also been a contentious issue for long. However, members have kept aside the persistent differences on domestic support, and turned their attention to market access, on which there are more disagreements.

II.3 Market Access

As per the July 2004 framework, negotiations in this area are mandated to achieve "substantial improvements in market access..." through a single tiered approach in tariff reduction that would be applicable to both developed and developing countries. The main divergence was on the formula to be applied for tariff reduction, with some countries like the EU and G-10 (led by Japan, Switzerland and Norway) favouring the Uruguay Round approach to be used within each section of the tiered formula and countries like the US, Australia, New Zealand and Thailand favouring the Swiss formula. The Uruguay Round, which sought only an average tariff reduction of 36 per cent and a minimum of 15 per cent per tariff line for developed countries would give those with tariff peaks the flexibility to assign only minimum cuts on sensitive products but still meeting the average cut through bigger reduction in other less sensitive products. On the other hand, the Swiss formula was favourable to those with offensive or export interests because it proposed deeper tariff cuts using a mathematical formula with a coefficient of 25 that would harmonize tariff levels across countries and bring all tariffs down to less than 25 per cent.

On this contentious issue of market access formula, at Hong Kong, the ministers agreed to adopt a balance between the Swiss formula and the UR approach and as a starting point used the G-20's proposal. The Hong Kong Declaration agreed on the banding approach to the reduction of tariffs. According to this approach, agricultural tariffs have been put in four bands with the provision that tariffs in the higher band will be subject to deeper cuts. Further, different coefficients for developed and developing countries may be agreed to provide special and differential treatment to developing countries, though they have to be proportional. This is closer to the acceptance of a non-linear approach of Swiss formula (Ranjan 2006).

The extent of cut in each band was not agreed upon at Hong Kong, though various figures were discussed. Deeper cuts in the higher bands will no doubt bring down appreciably the agricultural tariffs of developed countries, most of which took very high tariff bindings during the Uruguay Round of negotiations. But it will also involve substantial reductions in the tariff bindings of several developing countries including India, which are also on the higher side (Dubey 2006).

Another important issue, particularly for developing countries is the flexibility to self-designate an appropriate number of tariff lines as special products (SPs). Developing country members will also have the right to recourse to a special safeguard mechanism (SSM) based on import quantities and price triggers. The precise arrangements for the SSM, however, could not be negotiated at Hong Kong. So far as SPs are concerned, the developing countries will be able to effect softer cuts (say 5% or so) in their tariffs, but they are unlikely to be able to get away with no reductions at all. Under SSM, developing countries will be able to raise their tariffs in the event of a sudden surge in imports or decline in prices.

Since Hong Kong, there has been no progress in this area, and it remains one of the most divisive areas of the agriculture negotiations, as members with high tariff barriers seek to send off calls for cuts, while the US and the G-20 group of developing countries are asking the EU in particular to be generous with its farm tariff offer. The positions remain largely unchanged on the extent of tariff reduction and the exceptions to the cuts.

However, the divisions on Special Products and Special Safeguard Measures have become sharper. Some countries have even gone to the extent of asking for the abolition of SSM, arguing the safeguard was only intended to be a transitional mechanism, and is therefore no longer needed. What is more, the issue has created divisions even among the developing countries who remained united at Cancun and Hong Kong. Developed countries, it appears, have been able to hit the fault lines that always existed in the unity of developing countries.

III. Increasing Controversy Over SPs

III.1 The Genesis

From the very beginning of the negotiations on farm trade liberalization, developing countries have stressed the importance of the agricultural sector for their economic and social development. The dissatisfaction among the majority of developing countries has increased due to the slow progress of the implementation of agreement on agriculture (AoA). This slowly resulted in having negative impact on food security, livelihood and rural development of poor countries.

Many studies have shown that the implementation of the AoA resulted in faster increase of developing countries' imports than their exports. There are numerous instances of import surges in developing countries during the implementation process of AoA. Dependence on food imports has increased amid plummeting export earnings, leading to the type of unsustainable situation with regard to food security (FAO 2005).

Therefore, developing countries have realized the need to approach further trade liberalization in agriculture with extreme caution. They have emphasized the need for a pause in trade liberalization of agricultural products on whose production low-income and resource poor farmers depend for their basic food needs and subsistence income. In low-income countries, agriculture sector is the largest employer, accounting for about 60 per cent of the labour force. Hence, these measures are required in conjunction with national development programmes directed at increasing production and productivity in the agriculture sector aimed at enhancing food production, maintaining and creating employment opportunities in the rural areas and protecting farmers from cheap subsidized imports.

India made a strong pitch for a "special window" under the WTO agreement on agriculture to provide for special and differential treatment to ease the pressure on the farmers in meeting the competition posed by farm produce from the developed countries. India has made one of the most comprehensive submissions to the WTO on agricultural trade liberalization. India proposed for a "Food Security Box" in the Agreement on Agriculture. This, *inter alia*, would include exemption from any form of reduction commitments of all measures taken by developing countries for poverty alleviation, rural development, rural employment, and diversification of agriculture.[4]

These concerns were elaborated in a number of other proposals presented by a group of developing countries starting as early as the year 2000. In June 2000, during the first phase of AoA negotiations a group of 11 developing countries,[5] in their proposal, envisaged for creation of a "Development Box" to address their food security and other livelihood concerns.[6]

In a nutshell, the thrust of all the proposals was to provide flexibility to developing countries to enhance domestic food production and to adopt other measures to protect the livelihood of their resource poor farmers, including concrete measures to address dumping and import surges.

The unity, positions and strength expressed by developing countries in various fora through their pursuasive arguments and proposal forced developed countries to succumb to their demand of having special provisions in the AoA so that these countries can protect the interests of their small and deprived farmers. The inclusion of SPs and SSM in the July Framework Text is a fulfilment of this long-standing demand of poor developing countries. The criteria for identifying special products as mentioned in the framework text are food security, livelihood security and rural development needs. The identification of these three criteria for selecting SPs, is truly in line with the submissions of proposals of several developing countries.

III.2 SPs in Hong Kong Declaration and Beyond

The Hong Kong Ministerial further clarifies on designation, treatment and selection of SPs. However, as usual, and very much expected, the negotiations following Hong Kong Ministerial are finding it difficult to translate the mandate on SPs into practical and predictable modalities. Developed countries' apathy towards granting SPs rights to developing countries was no secret. But what is more worrying that some of the developing country members are also not very keen to have adequate flexibility in the designation and selection of SPs.

The current controversy was triggered by recent proposals from the US[7], Thailand[8] and Malaysia,[9] and a framework paper[10] on special products (SPs) from the Chair of the agricultural negotiations. The paper points to the difficulties and uncertainties of establishing indicators based on food and livelihood security, given the diversity of situations both among and within WTO members, in particular. The paper, instead, encourages the debate to focus on numbers: how many tariff lines should get how much additional flexibility to maintain relatively higher tariffs (Smaller and Murphy 2006).

The US, in its communication, demanded that the designation of SPs should be limited to no more than five tariff lines at the detailed duty level. This move was strongly contested by the G-33 alliance that includes India. G-33, which is spearheading the campaign on SPs on behalf of the majority of developing countries, earlier demanded that at least 20 per cent or 120 of the total 600-plus agriculture tariff lines should be given the status of SP. The alliance reiterated that its demand for at least 20 per cent tariff lines as SPs is consistent with the July Framework and the Hong Kong Declaration, which call for an "appropriate number".

There is also an attempt to link the treatment of SPs and the number of SPs to the treatment of sensitive products. On this, G-33 has made it very clear that SPs and sensitive products are mandated to address entirely different objectives and conditions of production. Moreover, the Hong Kong Ministerial mandate is clearly for more flexible treatment of SPs. The G-33, in its contribution to the Chairman's Reference Paper on SPs, set aside any possibility of renegotiation of mandate on SPs. The alliance also urged the Chairman to bring an amendment to the Reference Paper to make it fully consistent with the mandate on SPs.

The other two proposals, which raised eyebrows of many developing countries, are from Malaysia and Thailand. They have emphasized the concerns of exporting developing countries whose food security, livelihood security and rural development depend on market access of their export products. Both Thailand and Malaysia in their communication have suggested the indicators for the designation of SPs. While Malaysia wants a product of which more than (75%) of world trade is represented by developing countries' exports should not be designated as an SP, Thailand wants that a product exported by developing countries that cumulatively constitutes more than 50 per cent of world export of that product should not be designated as an SP. In addition, Thailand also demands product imported from developing countries that cumulatively constitutes more than 50 per cent of the importing country's total import of such product should not be designated as an SP.

IV. Conclusions

The elimination of export subsidies is unlikely to result in any improvement in the competitive position of most developing countries in the world market in general and developed country markets in particular. Though it may lessen the impact of cheap imports of agricultural products into developing countries only marginally. The elimination will help only those countries, like Argentina, Brazil and China, which by virtue of the efficiency of their agricultural sector, have the capacity to overcome the barrier of domestic subsidies given by major developed countries and thus place themselves in a position of close competition with these countries (Dubey 2006).

In view of no visible concrete results on reduction in domestic support, developed countries would be able to maintain their domestic subsidies at quite high levels. Developing countries, however, will not be able to provide much of domestic subsidies even if they are allowed as they do not have enough fiscal strength to support their farmers. The relative importance of agriculture sector in the developed world is quite low and hence the non-agricultural sectors can support the agriculture sector. However, in developing countries, the relative importance of agriculture is quite high and hence non-agricultural sectors would not be able to support the agricultural sector. Hence, effectively, it boils down to expressing that the intense negotations at the WTO are primarily geared towards capturing higher shares of the developing countries' markets. And, this is also the reason why a division has been created even among the developing countries.

The biggest disappointment for the majority of developing countries is the new controversy over SPs. Except a handful of large countries, most of the developing countries' including LDCs are not major farm exporters. For these countries, protecting the livelihood of millions of resource poor farmers from the adverse impact of trade liberalization is of paramount importance. The recent controversy triggered by Chair's reference paper and submissions from the US and some developing countries have put enough roadblocks in the path of SPs and SSM. Unless they are sorted out, the real progress of market access negotiations on agriculture and even the overall progress of the Dhoa Round of negotiations will be in jeopardy.

NOTES

1 For example, Guy de Jonquières, in his article, "Cancun's failure threatens end to Machiavellian games", observes: Sir Leon (now Lord) Brittan, EU trade commissioner at the time, badly wanted to launch a new world trade round in the mid 1990s. But to do so, he had to overcome expected objections from France and other EU member states that feared trade liberalization would undermine Europe's common agricultural policy. Leon's advisers hit on a Machiavellian solution. As one explained later: "The trick was to come up with a negotiating agenda that the French thought other WTO members would reject. Then we would get our agenda accepted [by the rest of the WTO members] and call France's bluff." The upshot was proposals for investment rules, competition, trade facilitation and transparency in government procurement. Also see Amorim (2003).

2 Ambassador Crawford Falconer of New Zealand is the Chairman of the Agriculture Negotiations.

3 In 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), red (forbidden). The Agriculture Agreement has no red box, although domestic support exceeding the reduction commitment levels in the amber box is prohibited. Any support that would normally be in the amber box, is placed in the blue box if the support also requires farmers to limit production. The green box covers expenditures such as government programmes for research, infrastructure, and building public food stocks, as well as specific kinds of direct payments to farmers which are supposed to be de-linked from production. The amber box contains measures to support prices, or subsidies directly related to production quantities. The blue box covers grants that are partially de-linked from production requirements.

4 India's submission to WTO on Agriculture, 2000.

5 They are: Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka and El Salvador.

6 WTO Document G/NG/W/13.

7 WTO Document JOB(06)/137.

8 WTO Document JOB(06)/135.

9 Discussion Paper on Special Products: Contribution by Malaysia, 23 March 2006.

10 Chairman's Reference Paper on Special Products, 4 May 2006.

(Contd. on page 31)

NEWS (NATIONAL/INTERNATIONAL)

Nath Lashes Out at the West

Says Duty on Imports from US a Mere 5.7%, EU 6%

HITTING out at demands by developed countries to increase market access in developing countries, India said the actual duty on all imports from the US was a mere 5.7 per cent, and just 6 per cent for the EU in 2005-06.

The developed nations say allowing them better access to developing markets will help break the deadlock at the World Trade Organization.

"What is the market that they are seeking and what do you (US and EU) not have access to? The products which are of interest to the US and the EU already have low applied duty," Commerce and Industry Minister Kamal Nath said at a WTO seminar organized jointly by FICCI and ICRIER.

The Minister admitted that duties on certain items such as wines, spirits and cigarettes were high. However, high tariffs on items like automobiles were due to pressure from international automobile companies like General Motors which had recently invested in India.

"We are told by these companies to retain the high tariffs, they want protection for a few more years since they have made huge investments," he said.

Shri Nath said India was willing to work out bilateral arrangements with countries such as Bangladesh and China in areas of its interests.

Pinning the blame for the collapse of talks on the gap in mindset and not numbers, Shri Nath said that whatever the US and the EU were willing to offer in industrial goods, India was willing to match up to 10 per cent less. "If they are willing to undertake cuts of 60 per cent, we will do 50, if they do 50 per cent we will do 40," he said.

Shri Nath said the impasse and suspension of trade negotiations under the Doha Round was singularly due to the developed countries' insistence on extracting agricultural and manufactured products access from developing countries in return for cuts in their trade distorting domestic support.

Such a position was untenable and worrying because no such *quid pro quo* was envisaged in the negotiating mandate, which has evolved by consensus through the Doha Declaration, the July 2004 Framework Agreement and the Hong Kong Ministerial Declaration, he said.

"I am looking forward to leadership from developed countries and I plead with them to return to the negotiating table with something in their pockets and recognize that this round cannot impinge on the livelihood securities of farmers in India and the developing world," Shri Nath said.

Speaking on the occasion, Harshavardhan Singh, Deputy Director General of the WTO, said the only way forward was through more increased engagement. "Members need to keep talking to each other, the scenario is still optimistic," he said.

(*Business Standard*, 9 August 2006)

Doha Side Effect: US may End Trade Sops for India

INDIA's spat with the US at the World Trade Organization (WTO) may cost it dear on market access. The US, single largest market for Indian goods and services, may scrap import duty concessions to India through the Generalized System of Preferences (GSP) programme. GSP grants duty-free access to select goods from 133 developing countries.

According to industry estimates, Indian exports to the US under GSP come to less than $2 billion. While Commerce & Industry Ministry officials are confident that GSP benefits would stay, exporters are jittery.

GSP benefits to India are up for review to determine their continuance after 2006. While India has written to the US seeking an extension of GSP on existing products beyond 2006 and inclusion of new products like ibuprofen in the list, officials said the country would resist linking bilateral concessions to WTO negotiations. Commerce and Industry Minister Kamal Nath said GSP was a bilateral issue and there was no scope of linking it to WTO negotiations. Officials said Indian products like jewellery, hand-made rugs and pharmaceuticals had gained a foothold in the US market, and withdrawal of duty concessions may not dent their exports.

In 1992, US withdrew GSP benefits for Indian products like agricultural chemicals, pharmaceuticals, handloom textiles, jewellery, etc. over weak intellectual property rights protection. On 8 August 2001, US restored GSP benefits on 42 Indian products, including jewellery. In June 2005, it restored GSP on pharmaceuticals and chemicals. Exporters feel the competitive edge India enjoys in key products like gems & jewellery would be blunted if GSP benefits are withdrawn.

US Trade Representative Susan Schwab has said Washington wants to determine whether certain nations should be excluded from the GSP scheme. The review follows complaints that countries like India and Brazil, which avail of trade benefits, have not been helpful in efforts to reach an agreement in the Doha Round of trade talks.

"Countries that don't want to give us access to their markets in the WTO negotiations, why should we continue to give them preferential treatment?", wondered Charles Grassley, Chair of the US Senate Finance Committee that has jurisdiction over any legislation to extend the GSP programme. "For over 30 years, Congress has given the GSP programme broad bipartisan support. We believe this programme serves as an important bridge for developing countries to facilitate their transition from unilateral preferences to full economic partnership," the USTR said.

(*The Economic Times*, 9 August 2006)

India Cold-Shoulders Cairns Group Initiative

EVEN as Cairns Group, comprising 18 agricultural products exporting countries, is making all attempts to resurrect the WTO talks, India and the EU are waiting for the US to come back to the discussion table after correcting the trade-distorting subsidies in agriculture. This clearly indicates an India-EU axis is emerging at the multilateral forum.

Commerce Minister Kamal Nath said, "Brazil wants to have a deal badly. The US wants it on their terms with huge subsidies. But when agricultural products are padded with subsidies, it is not a level-playing field." He said that unless the US agreed to cut the farm subsidies meaningfully, he might not attend the Cairns Group meeting to be held in Australia in September 2006.

"We have not left the table (of negotiations). I'm waiting for the US to come back to the table," he said.

Meanwhile, the G-20 is slated to meet in the Brazilian city of Rio de Janeiro on September 9.

EU Trade Commissioner Peter Mandelson has recently accused Australia of toeing a pro-US line in WTO. The EU has already rejected Australia's invitation to come back to the talks in September.

Carins Group includes Australia, Brazil, Canada, Indonesia, Malaysia, New Zealand, Argentina, Chile, Colombia, Paraguay, Philippines, Thailand, Uruguay, South Africa, Bolivia, Guatemala, Costa Rica and Pakistan.

The EU officials do not see a revival of the talks in the near future. The Doha Round which started in 2001 had to be suspended last month mainly due to the US refusing to cut trade-distorting farm subsidies on agriculture products. The EU had agreed to cut agricultural tariffs by 51 per cent. The US and Brazil had expressed optimism of reviving the talks "within 5 to 8 months."

Besides, Australia is initiating a meeting with the US and WTO Director General Pascal Lamy to get the talks back on track as early as possible. New Zealand is also in talks with EU and the US to end the suspension of talks.

(*The Financial Express*, 8 August 2006)

Blair for Final Effort to Resume Trade Negotiations at WTO

UK Prime Minister Tony Blair said he and US President George W. Bush want to see global trade negotiations restarted, a week after talks among key WTO governments collapsed.

Hopes of a deal ended July 24 amid clashes over farm subsidies, undermining efforts to reach a global market-opening agreement. The European Union, India and Japan blamed the US for the deadlock, which prompted WTO Director-General Pascal Lamy to shelve the five-year-old talks to dismantle market barriers and lift millions out of poverty.

''I have not given up on the WTO trade round,'' Mr. Blair told executives at an event hosted by News Corp, according to a remarks released by his office. After talks with Mr. Bush on July 28, ''we both agreed we needed to make one final effort to re-energize the negotiation and I hope we can do so within the next few weeks.''

The breakdown jeopardizes the WTO's aim to seal an accord this year to lower trading costs on everything from grain and machinery to customs paperwork. Agriculture subsidies and tariffs have been the main obstacles to reaching a WTO deal. The original ambition of the Doha Round was to produce an agreement by the end of 2004 worth as much as $800 billion, according to the World Bank, about equal to the size of South Korea's economy. As the round has dragged on, the Bank has scaled back its prediction of a trade accord's value to as little as $96 billion, the size of Romania's economy.

Mr. Blair made the speech behind closed doors to executives of News Corp, the media group controlled by Rupert Murdoch, and others in San Francisco.

(*The Financial Express*, 1 August 2006)

Interest Groups Want Tougher Delhi at WTO

INDIA should harden its stand at the WTO, taking advantage of the recent collapse in negotiations, feel many civil society organizations, farmers' groups and trade unions.

The umbrella body, the Indian People's Campaign Against WTO (IPCA-WTO) has urged that India demands the right to re-impose quantitative restrictions (QRs) on imports of agricultural products. India should not accept universal bindings and deep tariff cuts on industrial goods and demand for exclusion of forestry, fishery and mining from NAMA negotiations in view of the livelihood implications for the vulnerable sections of the people dependant on these sectors.

IPCA-WTO has also roped in leaders of political parties, particularly the left parties. It is headed by the former Prime Minister VP Singh and coordinated by India's former ambassador to GATT, S.P. Shukla.

IPCA-WTO also demanded that India should drastically revise its offers in the GATS negotiations and defeat the moves of developed countries to circumscribe the area of domestic regulations. India should also revise its demand for the review of the TRIPS Agreement and insist on the general public licence in software and biotechnology.

V.P. Singh said,"There is also a need to resist attempts to deprive the farmers and give benefits to corporate houses and multinationals. The state governments are acquiring farmlands from farmers at a cheap price and giving it at a platter to corporate houses. These measures are likely to push out farmers from cultivation and place our food security at peril."

(*The Financial Express*, 29 July 2006)

Curtains for Doha Round as World Trades Charges

G-6 Fails to Overcome Differences on Reforming Farm Trade

THE Doha round of trade talks at the WTO were suspended on Monday, with trade ministers of G-6 countries failing to arrive at a consensus following the United States' refusal to offer more cuts in farm subsidies.

"The trade talks have been suspended. We cannot agree to the perpetuation of the structural flaws in global trade," Commerce and Industry Minister, Shri Kamal Nath told *Business Standard* from Geneva.

Shri Nath said he would continue to talk to other developing countries, but added that no fresh time-lines had been set.

With this, the possibility of finalizing within the year the modalities for tariff cuts in agriculture and industrial goods now appears remote. The European Union openly blamed the US for the failure of the talks.

EU Trade Commissioner Peter Mandelson said: "There is no more time left. The United States was unwilling to accept, or indeed to acknowledge, the flexibility being shown by others and, as a result, felt unable to show any flexibility on the issue of farm subsidies."

Addressing to the WTO Trade Negotiations Committee at Geneva, Shri Nath said: "The developments at the G-6 meeting (on Sunday) have highlighted what has been clear to many for quite some time – that as of now there is little ground for convergence on the core issues in the Doha Round negotiations."

A trade negotiator who participated in the talks said the failure to arrive at an agreement was mainly due to the United States' refusal to offer any further cuts in the domestic support that it gave its farmers.

America is wanting to bind its farmer subsidy at over $22 billion, up from the present subsidy level of $19 billion, a proposal which has not found favour with other WTO members.

Though the European Union offered more concessions on market access during the 14-hour marathon meeting on Sunday, the talks could not be salvaged due to the US reluctance to move further.

The EU had on Sunday offered to cut its farm tariffs by 51.5 per cent, against its earlier offer of 39 per cent farm-duty cuts.

Negotiators said it now appeared difficult for the negotiations to begin before 2009, until after the US presidential elections.

Reiterating the country's position at the meeting, Shri Nath said developing countries could not let their subsistence farmers lose their livelihood and food security for providing market access to subsidized agricultural products from developed countries.

The minister pointed out that some developed countries were attempting to convert the latest round of talks into a "market access round" for their products' entry into markets of developing countries, thereby inverting the core development dimension.

Developing countries were being asked to pay a price for the removal of structural distortions by developed countries.

(*Business Standard*, 25 July 2006)

India May Cede More Ground for CECA with ASEAN

INDIA may cede some more ground to make the proposed Comprehensive Economic Cooperation Agreement (CECA) with ASEAN a reality. Talks on the agreement, deadlocked due to differences between the two sides over the size of the negative list and the number of items to be bound for zero tariff under the trade liberalization plan, would resume soon, a senior Commerce Ministry official said. To firm up the domestic views in this regard, an inter-ministerial consultation process involving the agriculture and textile ministries had already begun, he said, adding, suggestions of the apex industry chambers were also being sought.

Under pressure from ASEAN, India has already agreed to prune the negative list to 854 of the total 5,224 tariff lines, from an original list of 1414, and offered that 75 per cent of tariff lines would be bound to zero tariff by specified end dates, latest by 2018. ASEAN, not keeping any negative list for itself, wanted India's negative list to be reduced drastically to 60 and 85 per cent of the product lines to be bound to zero tariff by 2013, and the remaining by 2015-16. The source said India was not willing to envisage zero tariff for all items in the tariff reduction plan. He, however, indicated that a few more items might be taken off the negative list, insofar as such a move would not impact the domestic industry and the farm sector adversely.

Currently, the proposed agreement with ASEAN is referred to as a Free Trade Agreement (FTA) for trade in goods. But as per the October 2003 framework agreement, the pact with ASEAN was to be broader in canvas, including investment, services as also other areas of economic cooperation such as science & technology, telecom, exchange facilities, education and mutual capacity building.

Once the agreement on trade in goods is complete, the Government would start discussions on other areas, the official said.

The main roadblock in clinching the the agreement for trade in goods, at present, is concerning the negative list, which includes several sensitive items for India like textiles, auto parts, chemicals and agri products. ASEAN had earlier turned down India's proposal to set the Tariff Rate Quota (TRQ) for agri products like palm oil, tea and pepper. Under TRQ, India can impose marginally lower duties on specific quantities of select agriculture items that need protection. New Delhi, for instance, wants to impose TRQs on palm oil from Malaysia and Indonesia, tea, coffee and pepper from Vietnam and a few manufactured goods from Thailand.

- India has already agreed to prune the negative list to 854 of the total 5,224 tariff lines
- ASEAN wanted India's negative list to be reduced drastically to 60 and 85 per cent of the product lines to be bound to zero tariff by 2013
- The main barrier in clinching the pact for trade in goods is negative list, which includes sensitive items like textiles, auto parts, etc.
- ASEAN had rejected proposal to set the tariff rate quota for agri products like palm oil, tea and pepper
- ASEAN does not have a negative list
- ASEAN exports to India are higher than India's exports to ASEAN
- As per the 2003 framework, the pact was to be broader in canvas, including investment, services as also other areas of cooperation like S&T, technology, telecom

Essentially, ASEAN alleges that India is going too slow in trade liberalization plan, whereas India says the trade bloc was asking for too much in a short span of time. On its side, ASEAN does not have a negative list. Also, ASEAN's exports to India are higher than India's exports to ASEAN. When the tariff cuts begin on 1 January 2007, not all items will suffer. "We will decide on the items to be moved to zero tariffs based on the feedback from our industry consultations which we have initiated," the official said. The official further said that a broad agreement regarding the trade in goods is expected to be reached by this October-November.

(*The Financial Express*, 6 July 2006)

Doubts over Market Access in Farm Sector Stall WTO Talks

INDIA has made it absolutely clear at the recent WTO meeting in Geneva that "talk of a settlement entailing heavy sacrifices by developing countries in terms of market access in agriculture and industrial tariffs with only moderate offers for reduction in agricultural subsidy by developed countries" was not acceptable.

Sources in the Government said that at the Geneva meeting of the mini-ministerial of the WTO, which ended in a stalemate with the US not yielding an inch in the reduction commitments of domestic support to its farmers, India made it amply clear that "interests and concerns of farmers, especially those relating to subsistence and livelihood" are non-negotiable for developing countries as a whole.

The sources said the mini-ministerial saw unprecedented solidarity among developing countries, cutting across various groupings in the WTO such as the G-20, the G-33, African, Caribbean, Pacific (ACP) countries, the Small and Vulnerable Economies (SVE), the NAMA-11, the cotton group and the Caricom. India and other developing countries were unanimous that negotiations in agriculture, non-agricultural market access (NAMA) i.e., industrial tariffs and other areas must address on a priority basis the development needs and concerns of developing countries. The developed countries were not only unwilling to reduce the farm subsidies, but also attempted to include developed countries on special product categories for exemption from tariff reductions.

It was against this backdrop — when there was no unanimity within the G-6 comprising the US, the European Union, India, Brazil, Australia and Japan in the green room of the WTO conclave in Geneva — that India felt that the negotiating space was simply evaporating. Hence Shri Kamal Nath, India's principal trade negotiator, rejected outright all attempts at re-writing the Hong Kong declaration of 2005, the July Framework of 2004 and the mandate of Doha itself. In fact, a statement issued by G-20 spelt out that the developed members should provide for substantial and effective cuts in trade-distorting support, as agreed in Hong Kong. In this regard, developing countries should not be expected to pay a price for the elimination of distortions that affect global trade in agricultural products.

(*The Hindu Business Line*, 5 July 2006)

Third World Scores for Now in Geneva

THE collapse of the WTO mini-ministerial talks in Geneva has once again exposed the developed countries' insincerity towards the implementation of the Doha Development Agenda.

A group of six influential countries including the US, the European Union, Japan, Australia, Brazil and India could not break the deadlock. The developed countries, particularly the US, were reluctant to commit sharp reduction in "trade-distorting" farm subsidies. Commerce Minister Shri Kamal Nath put up well in defence of the small and subsistence farmers of the developing and least-developed countries, saying talks cannot proceed unless there is a categorical commitment for reduction in farm subsidies by rich countries. Such subsidies have depressed global prices, thereby denying remunerative prices to farmers in the Third World, and placing their livelihood at stake.

The credit for taking such a tough stand should not go to Shri Nath alone. Trade ministers from the African and Caribbean group of countries, and the G-33 in particular, should be complimented for creating a conducive environment for unity amongst the Third World nations on this issue. The G-20 including India and Brazil were also unanimous in their views.

Yet, Shri Nath deserves to be complimented for not deviating from his position, despite pressures from the Agriculture Ministry, which has launched its programme for unilateral liberalization of imports of agro commodities, beginning with wheat and sugar. A confidential note was reported to have been sent by the Agriculture Ministry on the eve of the mini-ministerial, suggesting not to press hard for a reduction in rich countries' farm subsidies, as India may need to depend partly upon cheap subsidized imports in the near future to meet the needs of its growing population.

There is, however, a growing dissension in the ruling UPA coalition over the unilateral import liberalization policies being pursued by the dual ministries of agriculture and food, headed by Shri Sharad Pawar. The decision to import 3.5 million tonne (mt) wheat, by drastically reducing the tariff to zero, and relaxing the quality norms was taken by Shri Pawar in consultation with Prime Minister Dr. Manmohan Singh. It was just two weeks back the Cabinet gave its retrospective approval to wheat imports, deals for which have already been signed. Cabinet also approved Pawar's plan to give unilateral market access in sugar under a tariff rate quota (TRQ) for imports against zero duty. It also approved traders to import wheat against a relaxed duty of 5 per cent.

WTO negotiations had suffered failures at Seattle and Cancun. The Hong Kong Ministerial was also a failure, though not officially declared, as the trade negotiators offered to keep the negotiations alive. Subsequent days have proved that it is difficult to break the deadlock. The WTO is now alive through a mechanism of "artificial respiration". In such a situation, there are chances for the developing countries to force unilateral opening up of Third World markets, either through FTAs or through pressures on national governments, as has been the case of India in the context of wheat and sugar. The Third World should, therefore, be careful on this account.

(*The Financial Express*, 3 July 2006)

Doha Round under Threat in Geneva

AT an official level, the multilateral organization, which missed several deadlines on the Doha Round, is struggling hard to reach a final trade liberalization deal by year-end. With the collapse of the mini-ministerial, a faint hope left now is another meeting likely to be called by end-July. "The next few weeks are a period of reflection as well as of intense consultations," Shri Kamal Nath, Commerce & Industry Minister said in a statement, reiterating India's commitment to strengthening the structure of the multilateral trading system.

Sounding almost abrasive, he saw an attempt (by the developed countries) to "rewrite the Hong Kong Declaration, the framework agreement, and the Doha Development Agenda itself" as about 60 ministers negotiated on the modalities of farm subsidy cuts and tariff-slashing.

Under pressure from both the European Union and the developing countries for massive cuts in farm subsidies, Washington was, instead, demanding more "ambitious" reductions in EU farm import tariffs and deep cuts in industrial tariffs by developing countries like Brazil and India. US Trade Representative Susan Schwab said the US would move on cutting domestic farm subsidies but only if others opened up their agriculture markets through "adequate tariff-slashing moves".

- Progress in effective reduction of trade-distorting farm subsidies
- Meaningful cut in farm tariffs in developed countries, in particular in products of export interest to developing countries
- Substantial reduction in industrial tariffs by the West, more than by developing countries
- Meaningful Special and Differential Treatment provisions for developing countries
- Finalization of modalities for duty-free, quota-free access for least developed countries.

Agriculture is the most distorted sector of world trade and 85 per cent of domestic support or subsidy payments in the world were made by the developed countries, he noted, adding that India was prepared to negotiate commerce, but not subsistence.

(*The Financial Express*, 2 July 2006)

WTO Chief Outlines Possible Doha Deal

LEADING countries in the troubled "Doha" global trade negotiations remained firmly in entrenched positions ahead of a weekend of high-pressure talks, though the head of the WTO floated the outline of a possible compromise.

Shri Kamal Nath, India's Commerce Minister, said the US had isolated itself in the talks with its insistence on deep cuts in agricultural tariffs to open export markets for its farmers. Shri Nath said he would not jeopardize the livelihoods of India's 650 million farmers. "For India, farming is not commerce but subsistence," he said. "The US is grappling with the question: why is nobody with us?"

He added that the US had to offer more restrictions on its own farm subsidies, with the current offer implying the US could increase spending to $22bn from current levels.

The US has proposed a 67 per cent average cut in farm tariffs, well above the EU's original 39 per cent offer and the 54 per cent suggested by the G-20 of emerging market nations, including India. But two groups of nations with heavily protected farmers - the rich G-10 including Japan and Switzerland, and the poorer G-33 including India and Indonesia - have demanded exemptions for a wide range of products.

Shri Nath said, "a chance for everyone to come out of their trenches". But apart from perhaps a 1 or 2 percentage point move on the average cut to farm tariffs, he did not foresee any big breakthrough before the second half of July.

Though declining to offer a formal plan himself, Pascal Lamy, the WTO Director General, said "If I was looking for a magic number…I would probably look around 20." He said this would mean the US adopting a $20bn ceiling for farm subsidies, developing countries cutting industrial tariffs to no more than 20 per cent and adoption of the G-20's suggestion on farm tariffs.

This would require concessions on all sides. Rich nations have suggested a ceiling of 15 per cent on manufacturing tariffs, and European and American business lobbyists say that anything above 17 or 18 per cent will do little to open up markets.

Washington has rejected the suggestion that it is isolated in the talks, saying that many WTO members want substantial liberalization. Susan Schwab, the US Trade Representative, said: "I do not think the US is isolated in terms of wanting an ambitious outcome."

Recently 57 of the 100 US senators including Charles Grassley and Max Baucus, respectively the Republican Chairman and senior Democrat on the Senate finance committee, signed a letter to President George W. Bush saying the US should make no further offers to cut farm subsidies until other countries had promised greater access to their farm markets.

But even some other farm exporters such as Brazil, which will make huge gains from freer trade in farm goods, have suggested the onus is on the US to move. Celso Amorim, the Brazilian Foreign Minister, told reporters: "I would like the Europeans to move a little more on market access [tariffs], and the United States to move substantially more in domestic support [subsidies]".

Christine Lagarde, French Trade Minister said that emerging market countries would probably only make a real offer on industrial tariffs in the final stages of talks, reflecting what she said was characteristic Brazilian brinksmanship. She also said Brazil's interests were sharply at odds with India's wish to protect its farmers, and with China's focus on cutting industrial goods tariffs. "We find countries with completely different interests at the heart of the same group." Ms Lagarde said.

(*Financial Times*, 29 June 2006)

Call to Address Development Challenge of Doha Round

INDIA made a strong pitch for addressing the development challenge of Doha Round "frontally and substantially" if the current global multilateral trade negotiations are to succeed.

In a letter addressed to trade ministers of all member countries of the WTO on the eve of the mini-ministerial in Geneva, the Union Commerce & Industry Minister and India's principal trade negotiator, Shri Kamal Nath, cautioned that "there is a growing disquiet that the contours of the development dimension of this round are not yet apparent. What does development mean? Surely it cannot mean displacement of subsistence farmers and de-industrialization of developing countries" he said while releasing the letter in London.

Non-negotiable Issues

Shri Nath declared that "livelihood security and subsistence of the poor are not negotiable issues" even while the sensitivities of developed countries in matters of trade liberalization involve commercial issues. He said that these two differing sets of concerns were not equal and could not be treated equally.

That is why, he said, in agriculture, "we have been pressing for very substantial reductions in trade-distorting subsidies that the developed countries have been providing to their agricultural sectors. It is also for the same reason that we have been insisting that overall tariff reduction commitments by developed countries should at most be two-thirds of those of developed countries. Of critical importance is an adequate number of special products and an effective special safeguard mechanism instrument that can provide a modicum of protection to farmers in developing countries".

(*The Hindu Business Line*, 29 June 2006)

Trade Off Rules in Rich Man's World

THE WTO, in a desperate bid to somehow conclude the Doha Round negotiations, has issued a 72-page draft for working out the "possible modalities for negotiations in agriculture trade." A similar draft has been issued for industrial goods also.

Both the drafts "sum up the current state-of-play, which will form the basis for next week's negotiations." The documents contain inherent contradictions. It has 760 pairs of brackets, indicating areas of differences. WTO Director-General, Pascal Lamy expects these to be resolved when trade ministers of various countries meet in Geneva from June 28.

Mr. Lamy's desperateness can be gauged from his words. Addressing to the WTO parliamentary steering committee on 22 June, he emphasized the need to complete the negotiations before the term of the US Trade Promotion Authority (USTPA) expires early next year. USTPA, the fast track clearance agency set up by President George W. Bush, will need six months.

With the present situation in the WTO, it seems unlikely that an effective deal would be struck in such a short time. The member countries need to resolve 760 differences to salvage the negotiation process. The original draft for the collapsed Seattle Ministerial had only 420 areas of differences.

However, to prevent a collapse in negotiations, Mr. Lamy wants the differences to be narrowed down, particularly in "two key areas," namely market access in industrial and agricultural goods.

He said, “While the average tariff world-wide on industrial goods is only 5 per cent, it is 60 per cent on the agriculture. In launching the Doha Round, the developing world insisted that these imbalances be corrected, and has since been very active in the negotiations.” Mr. Lamy means there is a need to reduce farm tariffs. At the same time he has placed the developing countries’ perspective properly by saying, “Some developing countries argue they need these tariffs to counter the effects of rich world subsidies, which lead to the dumping of their produces in developing country markets.”

He added, “However, there continues to be divergences between our members on the extant reductions that must be undertaken of tariffs and of domestic subsidies that distort farming decisions. The two sides of what has been called the “magic triangle”, the EU on agricultural tariffs and the US on agricultural subsidies will need to move, if a deal is to be reached.

But it seems unlikely that these two major blocs will make any genuine commitments, given their compulsions of domestic situation and elections ahead. The new economic simulation of the US farm proposal has confirmed it has many loopholes which intend to increase the quantum of domestic spending on agriculture. Similarly, the EU’s proposal for further cuts in the ceiling level of its farm payments has loopholes for increasing farm subsidies. The issue of cuts in farm tariffs has become a political gamble between the US and EU. America wants deeper tariff cuts while EU wants less. Both may work out a compromise formula which may not be of much help to the developing world.

For a successful conclusion of the Round, commitment from the developed world is needed for immediately phasing out subsidies. But Mr. Lamy has stressed the need for market access for industrial and agricultural goods, thereby indicating a trade off between the two. Interestingly, he did not mention the third side of “the magic triangle” — the developing bloc. He knows for certain that in the course of the negotiations, the developing bloc would be insisted upon to open up their markets for cheap subsidized products from the developed world.

The trade negotiators of the Third World should see clearly through this game plan. The people in the Third World need to build up pressures on their governments and see that the interests of farmers are not sacrificed. WTO negotiations may fail, but still there are dangers of developing countries unconditionally and unilaterally opening up for imports under pressures from the developed world.

(*The Financial Express*, 26 June 2006)

WTO Made Agri Competitive: US Experts

WORLDWIDE agricultural production is likely to become more competitive as a result of increased liberalization through the WTO and regional and bilateral free trade agreements, says two US scientists.

These are the conclusions by two researchers, Jeremy W. Mattson and Won W. Koo of the North Dakota State University.

Trade liberalization, farm policy and agricultural research, changing consumer demand, new uses of agricultural products, new developments in developing countries, and production increases in Latin American countries are seen as factors that have major impact on world agriculture, they describe in their report, titled, “Forces Reshaping World Agriculture.”

Rising incomes from developing countries, like China and India, can result in increased food demand, as well as shifts in demand, the report says.

Per capita consumption of vegetable oils and meat has increased in developing countries, with the latter possibly exerting a significant influence on the demand for animal feeds such as corn and soyabean meal.

- Rising incomes in developing countries like China, India can significantly change trade flows
- Rise in per capita consumption of meat in rich countries influence demand for corn and soya meal
- Industrial need for agriculture has increased, due to the emergence of biofuels

As India, China and other developing countries continue to grow, their demand for food is increasing, and rising incomes in these countries result in shifts in demand, which could result in significant changes in world trade flows.

If per capita income in developing countries continues to grow, consumption of animal products and vegetable oils are likely to increase, while per capita consumption of rice and wheat may have peaked.

The study points out that agricultural research has led to new non-food uses for farm products, increasing the demand for value of agricultural commodities. Industrial need for agriculture has increased, due to the emergence of biofuels such as ethanol and biodiesel, it adds.

(*The Financial Express*, 26 June 2006)

Liberalization of Imports to Harm India at WTO

INAUGURATING a national seminar on emerging issues in food management, Agriculture Minister Shri Sharad Pawar said, "In the context of food security in the country, a particular viewpoint that we need to freely import and export foodgrains depending on the demand and supply situation is fast gaining ground." However, he cautioned that there was a need to assess the availability of grains in the world market for trade.

It is clear that wheat and sugar were not being imported not because of shortfall in production, but with the intention of liberalizing imports. But unilateral liberalization of imports, particularly through tariff rate quota (TRQ) was not without any consequences.

The Government has planned to facilitate imports of sugar through TRQ. Sugar will be the fifth commodity in which India will be giving easy market access. The other four categories of farm products in which India had allowed market access under TRQs were milk powder & milk food for babies, corn, sunflower seed & oil and oils of mustard, rapeseed and colza.

As per the Uruguay Round, India was not committed to render minimum market access for agro products through TRQs. However in 1999, as part of negotiations for raising bound tariff rates for certain farm products in anticipation of removal of quantitative restrictions on imports, India agreed to give market access to four categories of farm products through TRQs.

But in the present context, the institution of TRQ for sugar import is unilateral and unconditional. We have not in exchange negotiated for raising our low bound tariff rate of 45 per cent on soyabean oil. The policy of unilateral and unconditional liberalization of imports will weaken India's negotiating position at WTO. It will endanger domestic production as had been the case with vegetable oil and oilseeds.

(*The Financial Express*, 23 June 2006)

Rich Nations' Farmers Earning too much from Aid, says OECD

RICH economies, including the US and European Union, handed farmers 29 per cent of their income last year, three-quarters of it in ways that distort commodity markets, underlining the need for a global trade accord.

Total aid to farmers in the 30 governments forming the Organization for Economic Cooperation and Development (OECD), including protection from import tariffs or price supports, were worth $280 billion last year, the Paris-based body said in a report. While lower than the 37 per cent farm income share form aid two decades ago, the decline has now stalled, the OECD said.

Progress at the WTO on capping subsidies and cutting import tariffs ''is urgently needed to inject new life into the process of agricultural policy reform,'' the OECD's 76-page report says. Payments linked to production ''still dominate producer support in most countries, encouraging output, putting stress on natural resources and distorting trade.''

An accord at the WTO trimming import levies and imposing lower ceilings on farm spending ''would allow price signals to play a greater part in producer and consumer decision-making'' and improving economic efficiency, the OECD said.

(*The Financial Express*, 22 June 2006)

India Hopeful of Consensus at WTO

AMIDST the gloom over a possible failure of an agreement at the WTO talks in Geneva, there is a silver lining. As the draft for potential modalities is expected to be out shortly, India hopes for consensus in a couple of very small movements in the run-up to the final talks. One is the US proposal to cap blue box subsidies at 2.5 per cent of the total value of agricultural production, say government sources. Most developing countries may allow it to go up to 5 per cent if counter-cyclical payments are not included in the blue box category.

According to WTO rules, the subsidies are divided into amber, blue and green boxes. Amber box subsidies are prohibited as it has production and trade distorting impact and are subject to reduction commitments. These commitments are to reduce the total subsidies by a certain percentage that will be decided in the WTO talks.

Blue and green box subsidies are allowed. These two form a major share of domestic subsidies in several WTO member countries, especially the EU which uses it the most. Though blue box subsidies have production and trade distorting impact, they are perceived as less distorting, and are not production enhancing. There are subsidies in the blue box which are given to farmers to keep their land vacant.

However, experts are not that optimistic. Says Parthapratim Pal of The Energy Resources Institute, "In the Uruguay round also the government overlooked some flaws. Probably they did not realize the loopholes. The US proposal to cap blue box subsidies at 2.5 per cent comes with some riders. Washington says that they are ready for 2.5 per cent provided the countercyclical payments are included in the blue box category. But according to WTO definition, countercyclical payments fall in the amber box which is subject to reduction commitment."

Another significant movement, the government sources said, is the European Union giving a 48-50 per cent reduction in tariff rates in agriculture products. The sources said if EU were to go closer to the G-20 cuts, that would be a major movement. But some experts say that there is a rule in WTO for sensitive products where a country is allowed additional flexibility in tariff cuts. Some countries take advantage of this provision to protect their commodities.

(*The Financial Express*, 21 June 2006)

OECD in Favour of Continuing Farm Reforms

EVEN as the Doha Round of trade talks under the auspices of the WTO remains inconclusive on the sensitive issue of slashing domestic support for farm sector in industrial countries and tariff reduction for non-agricultural (industrial goods) in the developing countries, the case for continuing farm policy and trade reform is "compelling", says the Organization for Economic Cooperation and Development (OECD).

In its new agriculture report, released recently, the Paris-based inter-governmental think-tank of 30 rich industrial countries contend that if current levels of trade protection and domestic support for farm and manufactured goods were halved worldwide, the potential benefits — through higher incomes for consumers and producers — could total around $44 billion a year. It said the largest part of the gain is likely to flow from agricultural reform and 80 per cent of the benefits in agriculture would emanate from cutting tariffs and export subsidies.

Reform Benefits

Stating that almost all countries gain overall, the report said those with the highest levels of support and protection would benefit most from such reforms. The most efficient agricultural exporters would also gain significantly. But for many developing economies the immediate benefits would be relatively small and would be focused more in manufacturing than in agricultural trade, it said.

The OECD report said, the average Producer Support Estimate (PSE) in the OECD area is 30 per cent, which meant that almost one-third of farm receipts are derived from government intervention. This is an improvement on the levels witnessed before the Uruguay Round (UR) of trade talks, which averaged 37 per cent. Most of the support, 65 per cent, comes through measures that raise producer prices, including tariffs, export subsidies and domestic output subsidies.

Support Levels

"These measures seriously distort production, markets and trade," the report said adding that there was also some improvement as these policies represented 83 per cent of all support before the UR.

Pointing out that support levels differ enormously across countries, it said Australia reports a PSE of only four per cent; New Zealand two per cent; European Union 34 per cent and the United States 17 per cent. The highest levels are reported by Norway, Switzerland, Korea and Japan, all around 60 per cent or higher.

In a sort of support to developing countries' plea for removal of domestic support and export subsidies in the farm sector in advanced countries, the OECD said farm incomes, the quality of the agricultural environment and landscape and poverty in rural areas are often quoted as the reasons for these high levels of intervention. But in practice, it said, the extant policy set is quite "inefficient" in advancing these goals. Income effects are often perverse, granting most of the support to those who have the largest farms and generating large leakages to upstream and downstream agents who were not the intended beneficiaries or to people who own but do not farm land.

Arguing that environmental effects are sometimes the opposite of what was intended as subsidies stimulate intensive production, the report said rural development is more effectively fostered by measures such as investment in infrastructure, education and social services.

Multilateral Reform

Dwelling at length the effects of multilateral reform, it said OECD results suggest that in the United States, despite the loss of the trade-distorting payments that a reform would induce, all types of household, whether involved in commercial, hobby or retirement farming, gain. This is because the increases in commodity prices more than compensate for the losses in payment.

The report made out a strong case for continuing farm policy and trade reform since decoupled and targeted policies would set off better outcomes across a broad spectrum of domestic objectives—income, equity, competitiveness, environment and rural development.

(*The Hindu Business Line*, 10 June 2006)

WTO Boxed in by the Issue of Blue or Green

THE WTO members are facing difficulties trying to reach an agreement on disciplines for the less or minimally trade distorting agriculture subsidies (blue box and green box), which members will be allowed to maintain, subject to proper disciplining.

During the recent WTO discussion on the world body's agriculture chairperson's latest reference papers on the blue and green box, members could not agree on issues like avoiding the blue box support being heavily in favour of individual products, and ensuring the authenticity of the support programmes under the green box.

Blue box payments are supposed to be less trade-distorting as they are de-linked from production (production limiting support). The green box support is supposed to be non-trade distorting and is meant for research & development and environment protection.

One possible method identified in the reference paper, to avoid large blue box payments to be concentrated on specific products, is a "double trigger." In this, the constraints on a payment going to a product will be based on the payment's share of all blue box payments and the payment as a percentage of the value of production of that product. Countries favouring this include the members of the G-20 (developing countries including India and Brazil) and Cairns group.

Others like Japan and South Korea said, they could look at this but wanted to be sure that some allowance would be made if they concentrated on producing some products. The US said, it could discuss this, provided it did not become a "backdoor" means of further reducing the proposed limit on blue box payments at 2.5 per cent of agriculture production.

In the discussions onto green box, the EU repeated its opposition to its wholesale revisions, while some others, including India, reiterated their concerns for disciplines to ensure that programmes switching into the green box from other categories genuinely distorted minimally or not at all.

(*The Financial Express*, 3 June 2006)

WTO Panel on Agri Starts Work for First Draft of Modalities Text

INDICATING some movement in the complicated agriculture negotiations at the WTO, the committee on agriculture (CoA) Chairman, Crawford Falconer, has begun the groundwork to prepare the first draft of the modalities text.

This is in line with WTO Director General, Pascal Lamy's suggestion that the modalities for the negotiations on both agriculture and non-agriculture market access (NAMA) should be finalized by June-end so as not to disrupt the deadlines for other areas of the negotiations like services and rules.

The modalities include the formulae for cutting down both subsidies and tariffs as well as the special dispensation for developing countries.

Apart from differences on the levels of cuts to be brought about by developed countries in their agriculture subsidies and tariff cuts, a debate on the number of special products (protected against formula tariff cuts) to be allowed to developed countries is also on.

Mr. Falconer now intends to continue discussions on domestic support and market access.

He plans to circulate a consolidated paper on all market access issues beforehand and discussions on export competition.

Responding to concerns expressed by Venezuela, Cuba and others, about having enough time to follow the issues and digest new papers, Mr. Falconer said there will be no surprises.

(*The Financial Express*, 2 June 2006)

Kamal Nath Secures Market Access for Indian Mangoes in Japan

Japan to Lift Long-Standing Ban by July

JAPAN has agreed to lift its two-decade old ban on import of Indian mangoes, Shoichi Nakagawa, Minister of Agriculture, Forestry and Fisheries of Japan, announced in the presence of Shri Kamal Nath, Union Minister of Commerce and Industry, in Tokyo at the India-Japan Business Summit. Shri Kamal Nath, who had pursued the matter with the Japanese authorities persistently so as to secure market access for Indian mangoes in Japan, announced that once the embargo was lifted, the Agricultural and Processed Food Products Export Development Authority (APEDA), the concerned export promotion agency, would hold a special mango festival in Japan in July 2006. The ban on import of Indian mangoes is expected to be formally lifted by July 2006.

The mangoes (Alphonso, Banganpalli, Kesar, Langra, Chausa and Malika) to be imported by Japan are from pre-identified areas of production – namely Andhra Pradesh, Gujarat, Maharashtra, Uttar Pradesh and West Bengal, benefiting farmers in all these regions.

It was in 1986 that Japan imposed a ban on the import of Indian mangoes because of suspected pest infestation by fruit flies and hence, Japanese consumers had to forego the pleasures of this king of fruits – the Indian mango. Scientific evidence was collected through large-scale tests conducted throughout India which revealed that Indian mangoes were indeed free from fruit fly pests. Data of these tests were provided to the Japanese authorities as far back as 1998 and 1999. Japanese authorities then insisted on vapour heat treatment before import into Japan to ensure disinfestations. This too was complied with. Later, an issue was raised about the incidence of a new fruit fly. A survey was commissioned and 3 years' of data collection confirmed that there was no infestation by any new fruit fly. Despite all these efforts, the ban was not lifted.

Shri Kamal Nath first took up the issue of market access for Indian mangoes with Mr. Nakagawa in August 2004, and subsequently again during his visit to Tokyo in 2005, when he invited Japanese quarantine authorities to visit India for on-site tests and inspections. A Japanese technical team visited India earlier this year. The team was satisfied with the results and agreed to move ahead with the process to lift the ban, thus setting the stage for lifting the twenty-year-old ban.

(*www.pib/moc/om*)

Tasty Treaty for India & Japan

MARKET access for farm goods would be a key part of the Economic Partnership Agreement (EPA) between India and Japan. Since Japan is a net importer of food and is the largest economy in Asia, enhanced market access for agri products could help Indian farmers. To reciprocate, India is willing to allow import of Japanese rice and other farm goods.

In view of the controversy over the free trade agreement (FTA) with ASEAN, Commerce & Industry Minister Shri Kamal Nath is playing his cards with extra care on the Japan EPA. Ticklish issues such as import of edible oil, pepper, tea and rubber under concessional duty would not crop up in the case of Japan, it is felt. In the case of items such as Japanese rice, for example, the market in India is not large. Import of the sticky rice that Japanese consume would not create a commotion in India, officials feel.

As of now, India's exports to Japan primarily comprise gems & jewellery, iron ore, petroleum products and cotton textiles. Marine products are the only items from the foods segment that find a key slot in the Indian export basket to Japan. While Tokyo is relaxing the ban on import of Indian mangoes, efforts are on to clear import of Indian poultry to Japan.

The proposed EPA would also go well with the grand plan for a pan-Asia FTA, starting with east Asian integration. India, on its part, has already signed a comprehensive economic cooperation agreement (CECA) with Singapore and is in the process of framing an FTA with ASEAN.

Nath Rules Out Compromise on Agri Interests at WTO

THE Commerce and Industry Minister Shri Kamal Nath said protection of farmers' interests was one of India's top priorities at the WTO negotiations of the current Doha Round.

He reiterated that India would continue to press for the elimination of trade distorting subsidies and protection provided by a few developed countries in the field of agriculture.

Shri Nath was delivering the Walchand Memorial Lecture organized by the Maharashtra Chamber of Commerce. "We are in the WTO for our own benefit and make no mistake about it, there shall be no compromise on our interests," the Minister noted.

Shri Nath said at the current WTO talks, negotiations in agriculture were the most critical, as they affected the livelihood of millions of farmers, particularly in developing countries. "Agriculture supports and provides livelihood to a large part of the farming community in the developing world. Protection of their interests is cardinal for India," he opined.

In industrial tariff or non-agricultural market access (NAMA) negotiations, Shri Nath said, India was seeking significant market access for developing countries through reduction of tariff peaks, tariff escalation, high tariffs and non-tariff barriers in the developed countries on products of their export interest.

Trade Mode

- India would continue to press for the elimination of trade distorting subsidies and protection provided by a few developed countries in the field of agriculture.
- In industrial tariff negotiations, India is seeking significant market access for developing countries through reduction of tariff peaks, tariff escalation.
- In services, India is particularly interested in ensuring opening of sectors for professionals going abroad or Indian firms providing cross-border services.

Shri Nath asserted that India looked at the ongoing WTO negotiations from the perspective of its development, economic growth and development requirements. "India has also been pushing to ensure that our concern for providing affordable medicines to the poor is ensured through linking of public health concerns in the TRIPS agreement. Specific provisions for compulsory licensing have been provided in our own patents law," he said.

"Our experience in more than a decade shows that on balance, our membership of the WTO has been beneficial to us. Total merchandise good exports of India have increased to $101 billion in 2005-06 from $26 billion in 1994-95, while merchandise imports rose to $100 billion from $23 billion in the same period," the Minister added.

(*The Financial Express*, 27 May 2006)

No Pact without Safeguarding Farmers' Interest

IN an impressive show of unity, more than 100 developing and least developed countries (LDCs), including India, have issued a joint manifesto threatening that there would be no multilateral trade deal at the WTO without adequate special products (SPs) and special safeguard mechanism (SSM) to safeguard the livelihood of poor farmers.

Members of the African Union, LDCs, ACP (Asia, Carribbean & Pacific) countries and the G-33, representing the majority of the members of the 149-member WTO, in a submission, stated that no deal is possible that treats SP and SSM from a purely market access or commercial perspective, or that detracts or derogates the developmental value and dimension of SP and SSM.

SPs refer to identified agriculture products on which developing countries and LDCs would be allowed to undertake lower tariff cuts than the formula cuts agreed to by all members in the on-going Doha round of negotiations. The negotiations also mandate that developing countries should be allowed to impose SSM in the form of additional duties and quantitative restrictions to provide relief from import surges and decline in prices.

The memorandum was issued in response to a reference paper on SPs circulated by the WTO committee on agriculture chairman Crawford Falconer in which he pointed out that the G-33 demand of assigning 20 per cent of total agriculture tariff lines as SPs was unreasonable as it could protect more than 90 per cent of total agriculture trade of certain developing countries.

The chairman's proposal found favour with a number of countries with aggressive interests in agriculture like Malaysia and Canada.

The joint manifesto rejected ''recent attempts'' by some exporter countries to render the flexibilities in the form of SPs and SSMs based on the food security, livelihood security and rural development concerns.

The paper added that these proposals by exporter countries have invoked serious concern among the G-33, African Group, ACP and LDCs. These countries together account for the vast majority of people dependent on agriculture for livelihood and of the global labour force and employment in agricultural activities, it said.

The manifesto further added that the interlinked and complex criteria of food security, livelihood security and rural development cannot be viewed through the filter of export interests of a few developed and developing country members.

(*The Financial Express*, 16 May 2006)

Rich Play, Divide & Rule in WTO

THE focus of negotiations in WTO has now shifted to gaining more market access in the Third World. Attempts are being made by the developed bloc to render ineffective whatever available mechanisms are there for developing countries to protect their farm sector.

The issues of drastic cuts in high farm subsidies and tariff barriers of the rich countries have receded to the background. The US has taken the lead in launching a frontal attack on the developing countries' attempt to protect their farm sector through effective designation of special products (SPs) and application of special safeguard mechanism (SSM). It has proposed that only five tariff lines should be designated by a country as SPs and also presented a paper making it almost impossible for the developing countries to apply SSM.

The developed bloc has succeeded in creating a division in the Third World. Thailand has presented a paper restricting the designation of SPs. It argues that rural development and farmer's livelihood in the exporting countries of the developing world should also be considered, and not just the interests of the importing countries.

The Thai paper suggests that products exported by developing countries that constitute more than 50 per cent of world exports of that particular product and products imported from developing countries forming more than 50 per cent of the importing country's total import of such products should not be designated as SPs. The number of SP tariff lines should be limited and specified at least at HS 8-digit level.

Thailand has also proposed that SPs should be designated on the basis of a certain percentage (to be negotiated) of consumption being met through domestic production, on certain percentage of its contribution to the farm GDP and on certain percentage of its contribution to total nutrition of the population. It has said that SPs should be subjected to a cap on maximum tariffs. However, the tariff caps can be a percentage higher than the caps for normal products. SPs should not be totally exempted from tariff reduction and tariff rate quota expansion.

Thai proposal has received support from the US, Canada, Argentina, Australia, Chile, New Zealand, Uruguay, Malaysia and South Africa.

It is strange that when highly restrictive provisions are being proposed for the use of safeguards by developing countries, similar provisions are not being proposed for sensitive products of developed countries.

The Thai proposal on SPs is substantially influenced by the US proposal on highly restrictive application of SSM. The US has suggested that SSM will be used by developing countries as a tool to aid reform processs, and would be available to a limited number of products at the detailed tariff line level. The US formula suggesting price-based and volume-based triggers and market tests, makes it almost impossible for application by developing countries.

The G-33 (bloc of about 42 countries) had earlier proposed a more rational means of self-designation of SPs and application of SSM, designed to protect the interests of developing and least developed countries to a certain extent. This proposal is under severe attack. A rift in the Third World has surfaced. The US has succeeded in its game plan.

India has opened its doors to FDIs in retail sector, at least in a limited way, before being asked to do so. India removed quantitative restrictions on imports, earlier than the scheduled period. The chain of events indicate a further compromise on the interests of the Third World in the near future.

(*The Financial Express*, 8 May 2006)

Breakthrough in Farm Talks Vital for WTO Success: Menon

TAKING stock of India's position at post Hong Kong Meetings especially with regard to safeguarding of interest in agriculture and market access openings, S.N. Menon, Union Commerce Secretary, said "India wants a successful Doha Round of trade talks which will create an international air of optimism for rules-based trading."

Speaking at an interactive session organized by The Bengal National Chamber of Commerce and Industry (BNCCI), Shri Menon said the current talks had reached a deadlock, and were, therefore, more complicated. If a breakthrough in talks was not achieved by mid-July, the Doha Round may fail, he cautioned.

Seeking collective recognition of the issues at hand in letter and spirit, he said on-going multilateral negotiations over agricultural subsidies and market access as well as over NAMA (non-agricultural market access), special products and services (particularly Mode 4 issues involving movement of professionals) had to be concluded by mid-July for a successful conclusion of the Round by end 2006.

Pointing out that the US proposal on special products was totally unacceptable to India, he said the kind of papers that had come to the negotiating table were not encouraging at all for the Round. Calling for an element of realism, given the fact that the US and EU are the major players in global trade, he said the Indian position on domestic support to agriculture and market access issues had been amply clarified.

Citing food security and the need to protect the Indian farmer as being uppermost, Shri Menon said market access openings for agri products without adequate safeguards was not possible. And with regard to NAMA, he said the Indian position had been unwavering, and the mandate and the work programme set down could not be changed now.

Pointing out that the overall picture was not encouraging from the point of view of G-20 nations, he said the issues on agriculture had to be finalized by mid-June.

(*The Hindu Business Line*, 7 May 2006)

WTO Seeks Cut in Special Products

IN a suggestion which evoked a bitter response from India, the WTO Committee on Agriculture (CoA) said that the number of special products for developing countries need to be significantly lower than 20 per cent of total agriculture tariff lines proposed by the group of developing countries with defensive needs in agriculture (G-33).

The CoA chairman also suggested that imports should not be totally restricted in the case of SPs, indicating that tariff rate quotas (TRQs) should be imposed to allow minimum imports.

India has promptly sent a letter to the WTO alleging that the report is totally biased towards export-oriented countries and ignores the poor farmers in developing countries. It has demanded that the chairman's paper should be revised.

Developing countries like India give a lot of importance on SPs as it is a tool granted to them by the WTO to protect its agriculture products which could affect the livelihood of its farmers. According to the mandate of the Doha negotiations, all products designated as SPs would be protected against the formula tariff cuts being negotiated at the WTO.

The chairman's paper strongly criticized the G-33 demand of designating 20 per cent tariff lines (about 120) as SPs. Referring to some internal studies, the paper said that 20 per cent protection could result in protecting 94 per cent value of their import trade. It added that giving so much protection under SPs to developing countries would essentially be the same as the entitlement of least developed countries.

Commerce Ministry officials said the CoA chairman seemed to be speaking the language of the countries with export interest in agriculture. "He simply ignored the fact that the special products were supposed to protect the livelihood and food security concerns of developing countries," he said. India is also upset with the US suggestion that SPs be restricted to just five. "The idea is ridiculous," an official said.

(*The Financial Express*, 6 May 2006)

US Farm Support Chorus may Hit Sour Note

PRESSURE is growing in the US to extend rather than rework its laws providing hefty farm payouts after world trade talks on reform of agricultural markets missed yet another deadline.

But lawmakers' arguments that US farmers should not 'unilaterally disarm' given the stalemate in Geneva, may only make a WTO pact harder to reach, experts say.

Washington's so-called farm bills update US farm supports and export programmes. The 2002 bill boosted crop and dairy subsidies by 67 per cent to around $20 billion a year and is up for renewal next year – but parts of it have been challenged at the WTO by other countries on the grounds that the payments unfairly distort trade. The ongoing WTO "Doha Round" talks to lower global barriers to trade by cutting tariffs and subsidies had been seen as an opportunity for America to tackle its farm legislation as part of WTO member countries' worldwide overhaul.

But the talks are making little progress, hampered by bickering between rich and poor countries, and some on Capitol Hill are growing increasingly uneasy about a 'pre-emptive' 2007 farm bill that may cut US agricultural subsidies and reform supports before other countries do so.

Senators Jim Talent, a Republican from Missouri, and Blanche Lincoln, a Democrat from Arkansas, became the latest US politicians to present a plan for extending the 2002 farm bill until the WTO talks concluded.

"Until our trading partners in the WTO have at least matched our commitment to level disparities in global agricultural trade, our farmers will be operating at a severe disadvantage," Mr. Lincoln said.

Their project joins a plan by Minnesota Representative Collin Peterson, Democratic leader on the House Agriculture Committee, for a one-year extension of the farm law, and another by Texas Republican Mac Thornberry to extend it until one year after new world trade rules are agreed. Spokesman for Senate Agriculture Committee

Chairman Saxby Chambliss said that he had not ruled out an extension.

While a comparative handful of lawmakers – only three dozen or so out of 535 - are sponsors of the bills, the mainline US farm groups favour an extension. Private consultant Larry Combest, who held a leading role in writing the 2002 law while in Congress, said the approach of this fall's congressional elections would encourage lawmakers to try to pass an extension.

US Agriculture Secretary Mike Johanns has made no secret of his intent to overhaul US farm legislation, opposing any extension of the current bill on the grounds that as it stands, the United States is vulnerable to legal action from other countries. "I believe that trade in agriculture in this world cries out for reform. There are too many parts of the world where the barriers are too great for trade to occur," he told reporters from Geneva, where trade officials are desperately trying to unstick the talks.

Experts say while an extension of US farm policy would not derail WTO talks, it may hurt an already tense atmosphere. "WTO countries' inclination when it comes to the United States is to assume we're trying to get away with something," said Paul Drazek, trade adviser to the Clinton administration.

Former US trade representative and agriculture secretary, Clayton Yeutter said: "Lots of folks in Geneva will read this as an indication on the part of the US Congress that they're not very interested in the outcome of the Doha Round and more interested in preserving the status quo." The Doha talks have been going since 2001 but are widely seen to be coming up against a final deadline — the expiry in mid-2007 of President George W. Bush's authority to negotiate trade bills without the input of Congress. Senior lawmakers have suggested that a one-year extension of so-called Trade Promotion Authority, combined with a one-year extension of the farm bill, might be a way of creating the necessary momentum to get both through Congress.

(*The Financial Express*, 6 May 2006)

Include Special Products in Modalities: G-33

THE G-33 group of countries, which includes India and about 40 other countries with defensive interests in agriculture, has written to WTO Director General Pascal Lamy warning him that they would not join a consensus on modalities which does not incorporate the modalities on special products (SPs) and special safeguard measures (SSMs).

Alluding to the EU and the US, the letter said that the G-33 was concerned with the position taken by its negotiating partners, some of whom were even attempting to undermine and diminish not only the Doha mandate on agriculture but also the agreement reached under the July framework and by the ministers in Hong Kong on the issues of SPs and SSMs.

As per the Doha mandate and the Hong Kong declaration, developing country members will have the flexibility to self-designate an appropriate number of tariff lines as SPs guided by indicators based on the criteria of food security, livelihood security and rural development. They will also have the right to have recourse to a SSM based on import quantity and price triggers, with precise arrangements to be further defined.

It was pointed out in the letter that this recognition had encouraged the G-33 to engage constructively in the negotiations, making contributions by presenting concrete, technically sound and balanced proposals on modalities for SPs and SSMs. "In our endeavour to move the negotiations forward, the group has shown enormous flexibility, moving away from its long held original positions," it said. It further added that if other members continued to be inflexible in the area of SPs and SSMs, then arriving at an agreement on modalities for negotiating on agriculture would not be possible.

The first post-Hong Kong deadline for agreeing on modalities for agriculture by April 30 is about to be breached and Mr. Lamy is hoping that an agreement would be reached before July this year. The G-33 group includes Antigua & Barbuda, Barbados, Belize, Benin, Botswana, China, Congo, Cote d'Ivoire, Cuba, Dominican Republic, Grenada, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Mauritius, Madagascar, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, St Kitts & Nevis, St Lucia, St Vincent & the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad & Tobago, Turkey, Uganda, Venezuela, Zambia and Zimbabwe.

(*The Financial Express*, 29 April 2006)

Doha: Oxfam Warns of Raw Deal to Poor

A new report by the non-governmental organization Oxfam has said the combination of disappointing offers on agriculture and aggressive demands on industrial liberalization and services by rich countries could make many developing countries worse off in the ongoing trade talks under the Doha Round of the WTO.

In a report "A Recipe for Disaster", the Oxfam warns that by limiting the flexibility necessary for countries to use trade policy as a tool for development, the new WTO deal could destroy livelihoods, prevent industrialization and lock people into perpetual poverty. It said following the failure by WTO members to make significant progress in Geneva, Oxfam apprehends that the European Union and United States brinkmanship had sidelined development concerns. Unless offers change markedly in the next three months, poor countries would be better off continuing to negotiate, rather than signing a deal this year, it said.

New Deal

The report said that while a new deal is badly needed, current offers are not good enough and poor countries would be better off missing the 2006 deadline and holding out for better offers. Reforms agreed in Hong Kong as part of a so-called development package are not sufficient to cancel out the damage in other areas. Export subsidies would be stopped in 2013 but they only represent 3.6 per cent of the EU spending on agriculture and should have been eliminated earlier.

Too Restricted

Duty and quota free market access for the poorest countries is too restricted and 'aid-for-trade' offers are largely made up of recycled pledges.

The report states point blank that for a deal to be acceptable it must include deeper cuts to rich countries' trade-distorting farm subsidies and better market offers. Developing countries must have the right to regulate, to preserve policy space and to sequence liberalization in a way that serves development objectives. Unreasonable demands on non-agricultural market access and services must be removed and the principles of special and differential treatment and less than full reciprocity must be observed, according to Oxfam.

(*The Hindu Business Line*, 28 April 2006)

Lamy Drums up Support to Seal a Deal

WTO Director-General, Pascal Lamy has said the April-end deadline for finalizing the modalities for negotiations in agriculture and non-agriculture market access (NAMA) can be met only if some compromises are made by both developed and developing countries in the talks.

Pointing out that only 24 days remained for the deadline to lapse, Mr Lamy warned that it would not be prudent to postpone decisions on key matters. "Back-loading will be a recipe for failure. The three key areas of agriculture subsidies, agriculture tariffs and industrial tariffs hold the key to the negotiations," he said at a seminar on the Doha Round organized by ICRIER.

The WTO DG said if negotiations progressed well in the next few weeks and there were chances of a convergence of views being reached on modalities, he would call a small ministerial of interested countries in Geneva at the end of this month.

Mr Lamy pointed out that India was in a position to take on ambitious commitments in the area of industrial tariffs as there was a big gap between India's bound rates and applied rates. He suggested that India use this bargaining power to make greater gains in other parts of the negotiations like services and agriculture.

The DG, however, said it was important that India's tariff reduction also cuts into some applied tariffs as ''developed countries also have to show something back home". Since India had already autonomously decided to bring down its average tariff levels (at present average peak duty is at 12.5 per cent) to ASEAN levels of about 7 per cent in the next few years, it should not hesitate to undertake similar commitments under the WTO, he said.

He said since India exported about 40 per cent of its manufactured goods to the EU and the US, any reduction in their existing tariffs would be beneficial to India. If the developed world brings down its peak tariffs on items, including leather and textile from 20-30 per cent to 6 per cent, it would translate into major gains for India, he said.

Indian Minister for Commerce & Industry Shri Kamal Nath said the tariff commitments to be undertaken by developing countries cannot be greater than those being undertaken by the developed members. He pointed out that this was enshrined in the principle of ‘less than full reciprocity’ in the reduction commitments for developing countries. “We should, therefore, first determine the level of ambition in the reduction percentage terms for developed and developing countries. Then these could be worked back to identify the coefficients in the Swiss formula that would deliver the result,” he said.

The Minister said it also needed to be recognized that India had been autonomously liberalizing its tariff regime over the last few years. “Our booming exports are testimony that we have provided significant market access,” he said.

While admitting that the WTO will not ‘‘crumble’’ if deadlines were not met, Mr Lamy said it was a question of collective discipline. The DG, however, added scaling down the ambition of the Doha round of negotiations was not possible as members would not agree to such a thing.

In agriculture, Mr Lamy said while India’s interests were mostly defensive, it also had some offensive interests. “If the EU, the US and Japan correct their unfair comparative advantage by reducing subsidies, India could export more of its fruits, vegetables and organic flowers,” he said.

The DG indicated that India’s teaming up with Brazil in the agriculture negotiations (as part of G-20) was not a wise decision as both the countries, interests in the sector were totally different.

Shri Kamal Nath said India was firmly of the view that the G-20 proposal was the genuine middle ground.

He further said agriculture tariffs remained the only instrument of safeguarding food and livelihood security. Appropriate policy space must be intrinsic to any modalities and the final outcome of the negotiations, he added. Emphasizing on the need for special products (SPs) and special safeguard mechanism (SSM), Shri Nath said these remained absolutely essential to any agreement on tariff reductions.

(The Financial Express, 7 April 2006)

India Pitches for GI Protection with a Rider

INDIA, a strong advocate for extension of geographical indications (GI) protection to products, has said that any agreed outcome on the issue at the WTO should address the concerns raised by some members on the additional cost burden it could impose.

In informal consultations under “outstanding implementation” issues at the WTO headquarters, Brazil, too, said that it has an open mind on extension but is worried that this would impose costs and other burdens on its producers.

GI is a name or sign used on goods that have a specific geographical origin and possess qualities or a reputation that are exclusive to that place. According GI protection to products means that no other country would be allowed to use the GI sign or name accorded to those products other than producers in the place of origin.

The WTO offers GI protection to only wines and spirits (‘Champagne’ is protected under WTO) at present. India and a group of other countries including the EU, Switzerland, Romania, Bulgaria and Turkey want the WTO to extend GI protection to other products as well.

India is interested as it wants to protect its Darjeeling tea, Basmati rice and Alphanso mangoes. A wide variety of tea and rice passes off in the international market as Darjeeling tea and Basmati rice with mild variations in the names.

India, however, is not pushing the issue aggressively and has made it clear in a recent meeting that it would want concerns of other developing countries, especially those related to cost burden, to be addressed.

The points being debated by the group on GI extension include issues related to protectable subject-matter, the impact of extension on producers in the area designated by a GI, the impact of extension on producers not in the area designated by a GI, impact of extension on the relationship between trademarks and GIs, impact of extension on the treatment of homonymous GIs, the impact of extension on consumers and the administrative costs and burdens of the procedures associated with any extended protection and any other impacts on government. The consultations were chaired by WTO Deputy Director-General Rufus Yerxa.

(*The Financial Express*, 20 March 2006)

Trading Powers Fail to Make Breakthrough in London

INDIA and five other key WTO powers, which held a meeting in London to break the deadlock in the global trade talks, have failed to achieve a breakthrough. But they expressed commitment to meet challenges on the core issues of agriculture, services and non-agriculture market access (NAMA).

Commerce and Industry Minister Shri Kamal Nath said that during the discussions he told the developed countries clearly that "there is no question of compromising India's agriculture sector." India has 300 million poor people earning less than a dollar per day. This round is to lift the poor people and their standard of living. There is no formula yet on the card. There is only hope," he told newsmen. India was opposed to the question of market access which upset subsistence farming, he noted.

The G-6 meeting was attended by the US, Brazil, the European Union, Japan and Australia, besides India to discuss issues relating to the ongoing Doha round of multilateral trade negotiations. The US Trade Representative Robert Portman said, "we continue to be very focussed on the question of non-agriculture market access for developed countries in developing countries."

(*The Financial Express*, 13 March 2006)

G-6 Aims to Narrow Trade Deals

ENOUGH with the posturing: show us the money. That is the spirit supposed to inspire the ministers meeting in London in the latest instalment of the "Doha Round" of WTO talks.

Ministers from the "group of six" WTO members— the European Union, US, India, Brazil, Japan and Australia — will try to begin narrowing down the vast range of potential deals. Seeking to avoid a replay of December's ministerial meeting in Hong Kong, which comprised mainly a fruitless exchange from entrenched positions, Ministers are supposed to get down to specifics.

"This is not a make-or-break meeting," says Gary Campkin from the Confederation of British Industry. "But getting down to the numbers is a very valuable part of the process, especially when ministers put political weight behind the negotiations."

And if the import of a meeting can be inferred from the protesters it attracts, this is quite a big one. Development campaigners are planning peaceful demonstrations outside the meeting, and four Oxfam volunteers will again don the 10-foot rubber shark suits (intended to represent the rapacious rich countries) that first got an outing in Geneva last summer.

The key trade-off is for rich countries with protected farmers, such as Japan and the EU, and those that use a lot of subsidies like the US, promising more agricultural liberalization in return for emerging markets like Brazil and India agreeing to deep cuts in goods tariffs. But the only guidance ministers have agreed so far is a vague statement that goods and farm talks should achieve a "comparably high level of ambition in market access".

For the past few weeks, trade officials have been constructing spreadsheets of labyrinthine complexity to run simulations of what various tariff-cutting formulas would actually do to farmers and manufacturers. In farming, for example, a range of scenarios has been modelled, from tariff cuts of 25-40 per cent to reductions of 60-85 per cent. Extra complexity is added by varying countries' ability to shield certain sensitive categories in both goods and agriculture from across-the-board tariff cuts.

These simulations have been run on 10 economies (the G-6 plus Egypt, Malaysia, Norway and Canada). The group includes free-trading nations such as Australia; nations with competitive farm exports but weaker manufactures like Brazil; nations with strong goods exports but some vulnerable farmers such as Malaysia; and so forth.

The exercise will allow all 149 WTO members to see an approximation of the effect on a variety of economies. By themselves, the simulations will not end disputes. The EU's calculations suggest its own proposed tariff cuts would nearly triple European beef imports from 500,000 tonnes to 1.3 million tonnes a year, around the size of Australia's entire annual export of beef and cattle – a projection dismissed by other countries as alarmist.

Some of the results also merely underline how far apart WTO members remain. EU officials, eyeing hungrily the big domestic markets of Brazil, India and China, say the results confirm that a ceiling of 15 per cent for goods tariffs is the maximum that will open up real new export opportunities for European companies. Brazil's opening bid is 30 per cent, from which it is almost certainly prepared to shift. But India has been insisting it has already made big tariff cuts unilaterally and will not offer any new real access to its markets.

The farm talks are like a mirror image of the goods talks. Rich agricultural protectionists such as the EU – and even more so the G-10, which includes Japan, Switzerland and Norway – want not just small cuts in tariffs but also the flexibility to designate parts of their farm sectors as "sensitive products" subject to smaller cuts.

The EU wants to shield 8 per cent of its farm products in this way. The Commission is under renewed pressure from member states such as France not to give too many concessions in the talks, but can probably be persuaded to come down a few percentage points. The G-10 of very protective rich nations including Japan and Switzerland want 15 per cent, but could come down to 10 per cent if they are allowed more loopholes elsewhere. This remains a long way from the 1 or 2 per cent demanded by developing countries and the US. Meanwhile, the US itself is under pressure to agree further restrictions to the subsidies it uses to support uncompetitive farmers.

(*Business Standard*, 12 March 2006)

Trade Ministers to Debate for Breaking 'Logjam'

MINISTERS from major trading nations will for the first time discuss specific import-tariff cuts on goods such as corn and car-parts as they bid to break a deadlock on a new accord to boost global commerce.

The WTO members have given themselves the deadline of April 30 to break a logjam in the talks and agree on formulas to spare duties on farm and industrial products. They have until July 31 to complete details of a trade accord that the World Bank says would be worth about $96 billion to the international economy.

"We should be careful about vesting too many expectations in one meeting, but we need something out of London that moves things forward,'' said Gary Campkin, head of international trade at the Confederation of British Industry in London, which represents 200,000 UK companies.

The WTO must wind up its political negotiations to give governments enough time to approve the final details of an accord before the Bush Administration's negotiating authority from Congress expires in July 2007.

The World Bank has scaled back its prognosis about the impact of a trade deal more than once in recent years. While the Bank in 2003 said freer trade would add $800 billion a year to the global economy, last November it said the best to be expected is a $287 billion gain by 2015, with $96 billion more likely.

Trade analysts including Razeen Sally of the London School of Economics are skeptical that the WTO will reach an accord by the deadline. ''They won't agree on anything meaningful by April 30,'' said Sally.

''The one imponderable is the US, because practically everyone else would be happy with a deal that's hardly worth getting out of bed for. But that may fail in Congress because it needs major concessions on agriculture.'' So far, the WTO has missed every deadline since the current round of negotiations started in December 2001.

(*The Financial Express*, 11 March 2006)

India Warns Developed Nations of WTO Failure

INDIA has warned that global trade liberalization talks would come to a grinding halt if developed nations demand more market access from developing countries. In the case of industrialized goods, developing countries have made it clear that what they put on the negotiating table will be less than what rich nations come out with.

India, for example, plans to go in for one-third of the commitment made by developed countries. There will be no compromise on the principle of 'less than full reciprocity' and protection to infant industries, Commerce & Industry Minister Shri Kamal Nath said.

On the eve of the key G-6 meeting in London, Shri Nath said India will not make any compromise on agriculture. The livelihood of small farmers needs to be protected, he said. The talks would be attended by Japan, Australia and Brazil, apart from the US, EU and India.

Shri Nath's warning assumes significance in view of the reported stand of some developed nations that developing countries like India and Brazil should come out with substantial market access offers. The G-6 meeting is considered a key event after the ministerial meeting in Hong Kong last year.

He pointed out that developed countries extended extensive protection to their industries during their infancy. The same facility should be available to developing countries too, he argued.

The onus is on the developed world to move forward for meaningful progress in trade liberalization talks, he said. Otherwise, he warned, talks will 'break down' and no agreement would be possible.

Shri Nath made it clear that developing countries were in no mood to offer higher cuts in import duties for manufactured goods. While an understanding has been reached to follow the Swiss formula for tariff bindings, developed countries have made sure that there would be room for different coefficients, ultimately leading to lower commitments from them.

(*The Economic Times*, 9 March 2006)

Farm Deal: US Trap, MNCs to Benefit

UNLIKE India's civil nuclear deal with the US and implementation of the separation plan, the agreement on farm research and education has not drawn much attention of the Parliamentarians.

Though a majority of the members of the Parliament are elected from constituencies in rural areas, very few are interested in the implications of the India-US Knowledge Initiative on Agricultural Education, Research, Services and Commercial Linkages signed on March 2.

However, the farmer outfits of the ruling Congress party and the Left have raised some apprehensions about the implications of the farm deal. This deal is for a period of three years and covers three areas – research and education, food processing and marketing, and biotechnology and water management. The US has pledged investments to the tune of $24 million.

Indian Council of Agricultural Research (ICAR) is the nodal agency for suggesting the modalities and the areas of cooperation. The preparation of the draft was done in a strictly confidential manner within ICAR. The earlier draft proposal suggested an investment of Rs 1,000 crore by India for 2006-07. It also included areas of collaboration on development of transgenic crops and animals. However, the final agreement suggested cooperation in the three areas for a period of three years.

Prime Minister Dr. Manmohan Singh while making his statement on the nuclear deal in Parliament spoke briefly about the farm deal. He said, "Our first Green Revolution benefitted in substantial measure from assistance provided by the US. We are hopeful that the Knowledge Initiative on Agriculture will become the harbinger of a second green revolution in our country."

True. The US did assist in our first Green Revolution. The assistance largely came from the US Land Grant Universities with the condition of reshaping our farming and research on the US models. We got some benefits of Green Revolution, which were certainly not devoid of negative fallout.

Every country has its own peculiar farming system, which has stood the test of time. It would be a height of folly, if we totally reject our time-tested systems.

The emphasis of the present pact is on development of transgenic crops and animals, and commercialization of agriculture with the direct participation of corporates and multinationals. The agreement in the name of research will facilitate the US companies to get free access to our country's genetic resources. This may have dangerous consequences of biopiracy, unless adequate safeguards are put in place.

The US is very aggressive in forcing a patent regime in agriculture. We need to be careful on this account. It would spell doom if our bioresources are patented by US companies. American companies have attempted to patent our Basmati rice, turmeric and neem.

Transgenic technology is controversial worldwide with some scientists expressing concerns over health and environmental safety. There may be pressure from the US in future to revise our regulatory system and make it flexible enough to accept transgenic products developed by US companies.

The interesting thing is that we are to learn water management from the US a country which has no respect for global treaties on environment. On the whole the agreement intends to promote US-based companies and their products.

(*The Financial Express*, 3 March 2006)

US, EU Trade Chiefs Mull Ways to Break Global Trade Deadlock

TOP US and European trade officials began talks to bridge differences on farm issues. The meeting in Washington between US Trade Representative Rob Portman and EU Trade Commissioner Peter Mandelson comes with negotiations aimed at reaching a new world trade agreement by the end of this year.

"From a US perspective, the best thing Mandelson could do would be to lay out for Portman exactly on what basis the EU can be more flexible on agriculture, particularly market access," said Sherman Katz, a senior associate at the Carnegie Endowment for International Peace. Mr. Mandelson has been offering "winks and nods of various sorts, suggesting under some circumstances he might have some more room to get a better offer from the EU," Mr. Katz said. Countries face a April 30 deadline to agree on formulas for cutting tariffs on agricultural and manufactured goods and for reducing trade-distorting farm subsidies, a task they have repeatedly failed to accomplish since global trade talks began more than four years ago in Doha, Qatar. The United States, Brazil and the Cairns Group of agricultural exporting countries led by Australia want deeper EU farm duty cuts. But, France and many other EU members have resisted.

"There's no way that Mandelson can come out of the meetings with Portman and announce (further farm concessions) because that takes a decision of the EU Council of Ministers," said Frank Vargo, Vice-President at the National Association of Manufacturers.

The EU has pushed advanced developing countries like Brazil and India to do their part by opening their doors to foreign services companies and manufactured goods.

Jeffrey Schott, a senior fellow at the Institute for International Economics, said Mr. Portman and Mr. Mandelson could make progress on how "sensitive" farm products would be treated in a new world trade pact. The World Bank has estimated exempting just 2 per cent of agricultural tariff lines from the deepest cuts would give countries enough wiggle room to protect their most attractive markets from increased imports. The EU has proposed letting countries designate up to 8 per cent of their farm tariff lines as sensitive products, but has said it has room to negotiate on that point.

(*The Financial Express*, 23 February 2006)

Free Trade Deal Looks to Davos Meet

DEVELOPING countries insist that the European Union (EU) must make a further move to open its farm market, while Brussels is equally adamant that it is up to others – such as Brazil and India – to concede in areas such as industrial goods.

"I think it is possible," said one WTO ambassador from a leading developing country, referring to the April 30 target. "But we need movement quickly, and you cannot escape the fact that without further movement from the European

Union on (agricultural) market access, it looks difficult to unblock the negotiation," he added.

The 149-state WTO had initially aimed to wrap up a draft deal in Hong Kong on lowering barriers to business across the globe, which supporters say would give economies a big boost and help lift millions out of poverty. But deep differences between developed and developing states, particularly over agriculture, where the EU and others have high protectionist barriers, forced it to delay the deadline until the end of April.

(*The Financial Express*, 18 January 2006)

India Moots 2-Pronged Plan for WTO Farm Talks

INDIA has put forward a two-pronged strategy in resolving the tariff formula difficulties on agriculture negotiations under the WTO umbrella.

This proposal, submitted by the Union Commerce and Industry Minister Shri Kamal Nath, in Paris at the informal trade ministerial meeting of the WTO, would ensure greater market access for farmers of developing countries to the markets of the developed countries.

According to the two-pronged strategy, all member countries of the WTO - both developed and developing countries - convert 100 per cent of all specific duty tariff lines into *ad valorem* equivalents (AVEs) and then bind these tariffs in *ad valorem* terms after conversion; second, regardless of the formulae or methodology that is finally adopted for the conversion, the maximum agricultural tariff should not exceed 100 per cent at the end of the Doha Round.

On NAMA issue, Shri Nath came down heavily on developed countries for practising double standards. Thus, developed countries sought reduction from bound rates and were not willing to bind duties in *ad valorem* terms in agriculture, but called for reduction from applied rates and 100 per cent binding in *ad valorem* terms in NAMA. Supporting Shri Kamal Nath, the Australian Trade Minister, Shri Mark Vaile, described it as the "schizophrenia of the developed countries".

Shri Kamal Nath referred to the joint proposal on NAMA already submitted by Argentina-Brazil-India as a balanced and equitable one as it combined a satisfactory degree of liberalization with the required security for developing countries and incorporated the principle of less than full reciprocity and flexibilities in tariff reduction for developing countries.

(*The Hindu Business Line*, 6 May 2005)

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BOOKS/ARTICLES NOTES

BOOKS

Agricultural Trade Reform and the Doha Development Agenda edited by Kym Anderson and Will Martin, Palgrave Macmillan and World Bank, 2006.

CHAPTER IV of the book deals with the issue of the agricultural market access. It examines the potential impact of the framework's tiered formula approach to increasing market access. It notes that this approach is more ambitious in a critical way than the preceding reform proposals. The formula set out in the framework is very general. As such, considerable effort, it says, is needed to convert it into specific proposals.

The market access gains resulting from a tiered formula, vary substantially across countries and commodities. The tiered formula would reduce the average applied tariff facing developing countries by 5.2 per cent. In terms of commodities, the largest gain would be in cereals, for which the average tariff worldwide would fall by more than half, from 41.2 to 19.2 per cent. Substantial gains in market access would also be expected for sugar, meat, and dairy products.

Market Access for Exports from India: Issues for Post-Cancun WTO Negotiations in Industrial, Agricultural & Services Sector by H.A.C. Prasad, Academy of Business Studies, 2005, New Delhi.

THE book provides an analysis of the ongoing market access negotiations in the WTO and their relationship to India's export strategy. Further, it looks at the ongoing WTO negotiations from the Indian perspective and has come out with many suggestions.

The publication examines the market access issues in the context of the WTO negotiations. These issues have been examined for the three sectors, namely agriculture, industry, and services. Besides examining the issue for future negotiations in the WTO, it lays emphasis on the existing market access barriers in these sectors, particularly non-tariff barriers in the industrial and agricultural sectors and market access barriers in services sectors.

In the area of market access for India's agricultural exports, it examines the main provisions of the Agreement on Agriculture (AOA) in the Indian context, and the Doha Ministerial Negotiations in the context of agricultural negotiations, the joint proposal of the US-EU. The other important issues highlighted in the context of future WTO negotiations and promoting agricultural exports include both tariff & related issues and non-tariff barriers in different agricultural items; policy measures for post-Cancun WTO negotiations; and internal policy measures and strategies to boost agricultural exports.

Market access for agricultural products, it says, is governed by a "tariffs only" regime. This means that NTBs (non-tariff barriers) such as QRs (quantitative restrictions) on imports (i.e., quotas, import restrictions through permits, import licensing, etc.) were to be replaced by tariffs on imports to provide the same level of protection and the same were to be followed by progressive reduction of tariff levels. However, developing countries like India who had not converted their quantitative restrictions into tariffs, were allowed to have ceiling bindings which were not subjected to these reduction commitments.

WTO and the Agriculture by Talwar Sabanna, Serial Publications, New Delhi, 2005.

THE book contains a chapter entitled *"AOA and Indian Agriculture: Problems and Prospects"*. Market access for agricultural products, it says that there can be no restrictions on farm trade except through tariffs. This means that non-tariff barriers such as quantitative restrictions on imports (i.e. quotas, import restrictions through permits, import licensing, etc.) were to be replaced by tariffs on imports to provide the same level of protection and then the same were to be followed progressive reduction of tariff levels. Tariffs resulting from this "tariffication process" as well as other tariffs are to be reduced by a simple average of 36 per cent over 6 years in the case of developed countries and 24 per cent over 10 years in the case of developing countries.

In the case of India, it says that the country has not converted the quantitative restrictions into tariffs. India had bound its tariffs at 100 per cent for primary products, 150 per cent for processed products and 300 per cent for edible oils, except for certain items (comprising about 119 tariff lines), which were historically bound at a lower level in the earlier negotiations. Out of these low bound tariff lines, bindings on 15 tariff lines which included skimmed milk powder, spelt wheat, corn, paddy rice, maize, millet, sorghum, colza and mustard oil, fresh grapes, etc. were successfully negotiated in December 1999 and the binding levels were suitably revised upward to provide adequate protection to the domestic producers. Finally, India phased out the quantitative restrictions in March 2001.

In its concluding remarks, it says that the developed world, most notably countries of the European Union and East Asia, are resisting to provide access to agricultural exports of the developing world. They have not gone for full tariffication of agricultural products. Instead, they have opted for tariff rate quota (TRQ) system for several commodities, which is restricting the potential gains to the developing world. It is well known that several developed countries, including Japan, the United States and the European Union, have a system of tariff quotas.

Agriculture and the WTO: Creating A Trading System for Development, edited by Merlinda D. Ingco and John D. Nash, Oxford University Press, World Bank, 2004.

IN its introductory remarks, the publication says that one of the main outcomes of the GATT Uruguay Round that concluded in the early 1990s was that of agriculture, which had by and large been left out of previous rounds of trade negotiations, now firmly became part of the World Trade Organization (WTO). Multilateral rules would, in principle, now apply and agricultural trade, would be subject to negotiation within the WTO process of trade liberalization.

However, for trade negotiators or those coming new to agricultural trade politics, there are a myriad of issues to address. These include not only the methods of the way in which market access is affected via quota administration, export subsidies and so on, but also seemingly rather opaque issues as "multi-functionality", "decoupling" and "special and differential treatment" for developing countries as well as the specific Agreement on Agriculture which arose from the conclusion of the Uruguay Round. Moreover, since the conclusion of the Uruguay Round in the early 1990s, agricultural trade issues have moved on to include biotechnology, the role of the food safety covered by the Sanitary and Phytosanitary Agreement and intellectual property rights as well as greater concern on the potential impact on food security on developing countries following trade liberalization.

Agriculture and WTO: Opportunity for India
by Jayanta Bagchi, Samskriti, New Delhi, 2003.

ON the issue of market access, the publication states that non-tariff barriers should be converted into tariffs and the industrial countries should reduce their average tariff by 36 per cent every 6 years compared to 1986-88 base period average. The tariff reduction shall be implemented in five equal reduction, except as may otherwise be specified in a number of schedules. The First Such Reduction (FSR) shall be made on the date of entry into force of WTO Agreement.

Trade Liberalization, WTO and Indian Agriculture: Experience and Prospects
by Ramesh Chand, Mittal Publications, New Delhi, 2002.

THE publication says that market access to developed countries was expected to improve due to decline in high tariff on agricultural commodities in developed countries. However, the rules of Uruguay Round GATT require reduction in unweighted averages. This allows maintenance of high tariff on sensitive product while satisfying the rules by reducing tariff on items in which there is little domestic production or which are reasonably competitive internationally. This is exactly what is said to have been followed by developed countries to keep a check on imports from developing countries. Prima facie it appears that developed countries are reducing tariff but as the agreement requires reduction in unweighted average, it is very easy to circumvent the rules to protect important items from external competition.

Further, it says that with the conversion of non-tariff barriers to tariff, market access might not improve and it might even deteriorate. To address this situation, the UR specifies minimum access and create additional access in markets with low imports. Minimum access commitment was sought to be achieved through two types of tariff quotas.

First type of tariff quota was no significant in the base period. The size of the quota were to increase from 3 per cent of domestic consumption in the base period (1986-88) in 1995 to 5 per cent by 2001 for developed countries and by 2005 for developing countries.

Second tariff quotas were constituted to maintain current access opportunities where the process of tariffication would otherwise have resulted in a deterioration of market access conditions. Under three provisions, the member countries have established tariff quotas which are permitted to enter the country at below the normal tariff rates resulting from tariffication process. The higher rates from tariffication are to apply to imports over quota limits.

In its concluding remarks, the publication says that tariff quota regime set up to establish minimum access opportunities and to maintain current access opportunities do not seem to have improved market access for developing countries.

ARTICLES

Agriculture and NAMA Negotiations: Searching for the Landing Zone by Prabhash Ranjan, Working Paper 4, March 2006, Centre for Trade and Development (Centad), New Delhi.

THE article makes a critical assessment of the HK Ministerial text on Agriculture and NAMA. It analyzes the outcome of the HK Ministerial meeting on the touchstone of development. On the basis of this analysis, it suggests some specific and important negotiating inputs from the perspective of developing countries. In Agriculture, it calls developed countries to reduce their trade distorting subsidies by 2010 suggesting for a tariff reduction formula along the proposal made by the G-20. In NAMA, it moots a bold approach to interpret the text on the tariff reduction formula in order to have the formula proposed by Argentina, Brazil and India (ABI). It also asks for a differential tariff binding non-linear mark-up for different tariff lines.

On market access, it makes the following observations:

- Developing countries should ask for a very steep reduction in the bound levels of the OTDS so as to bring the new bound rates at levels that are substantially lower than their present applied levels. This is the only way to ensure 'effective cuts' as mandated in the HK Declaration.
- The elimination of trade-distorting domestic support should be front loaded with 2010 as the end date for elimination.
- There is a need for an effective tightening of green box subsidies with very clear provisions on de-coupled income support and direct payments.
- Developed countries should undertake steep reduction in their present agricultural tariff rates so as to tackle the problem of tariff escalation.
- Developing countries should not be asked to undertake cuts that are more than two-thirds of the cuts that developed countries will undertake.

Hong Kong – A Ministerial of Vague Promises by Anil K. Kanungo, *The Financial Express*, 2 January 2006, p. 6.

MAKING a set of observations at the outset, the article says that the Hong Kong Ministerial is over, amid strong protest and hard bargain. What did it achieve? What have been its tangible gains? As one probes, one finds no real progress, except that it has managed to keep the Doha development agenda further negotiable, not allowing it to meet a natural death.

As usual, agriculture, it says, remained the focus of negotiations, consuming most of its time on export subsidy. The EU and US pledge on a new date to phase these out on farm products by 2013 may have displayed a concern, but was not appreciated much. For, three-fourths of WTO members feel they have to wait eight long years to realize the minimal gains, because of its small impact in the markets.

On market access to agricultural products, it says that least developed countries were offered a set of goodies which would provide duty-free, quota-free access to rich countries' markets of at least 97 per cent of their goods. The US also promised West African cotton producers to reduce its cotton subsidies more quickly than other farm supports. Its further pledge of phasing out of cotton subsidies by the end of next year also formed part of the declaration. Such a promise, it says, was made earlier too, to African nations but nothing has fructified since then. Whether such promises are real concerns or just promises in nature, the end of 2006 will tell.

Agreement on Agriculture and NAMA within Reach by Arvind Panagariya, *The Financial Express*, 28 December 2005, p. 7.

THE article says that for market access in agriculture, member-countries have agreed to base tariff cuts on four bands defined according to the existing level of tariffs with deeper cuts applied to the higher tariff bands. On market access in non-agricultural products, member-countries have explicitly adopted the Swiss formula that would cut higher tariffs more and lower tariffs less. Agreement on the precise cuts to be undertaken in the tariffs on agricultural and non-agricultural products is to be finalized by 30 April 2006.

There are good reasons why the prospects for a final agreement are excellent. Beginning with launch of the Uruguay Round in 1986, developing countries have sought an end to agricultural subsidies and protection. At Doha and Cancun, they also opposed the inclusion of investment, competition policy and government procurement into the negotiating agenda.

Likewise, with strong comparative advantage in agriculture, the US wants agriculture to be liberalized. As for the EU, in view of the ongoing and planned reform of the Common Agricultural Policy, it is now ready to undertake substantial agricultural liberalization provided it makes gains in other areas. The Hong Kong Conference has substantively satisfied the demands of the least developed countries (LDCs) for duty-free and quota-free access for their products and for "aid for trade".

Much depends on whether the large developed and developing countries—US, EU, India and Brazil along with Japan and South Africa—take the initiative to resolve their differences. Given the progress already made in agricultural and industrial goods at Hong Kong, an agreement in these areas, it says, is within reach.

It is Too Early to Celebrate: The War has Just Begun by Samar Verma, *The Financial Express*, 28 December 2005, p. 7.

THE article says that while our interests in agriculture predominate today, the appropriate timeframe to look at is around 2010. Our agriculture exports stand at $7 billion. However, given the rising export competitiveness in select agricultural products, combined with the huge employment they generate, agricultural market access would be an increasingly important issue for us. The high levels of ambition being talked about in agriculture market access are both a threat and an opportunity for India. Much would depend on how the negotiations progress in the next few months unfold.

Besides, the domestic subsidies of the US and the EU—which are significantly higher than the export subsidies—are yet to be touched. The real danger of India celebrating the victories at Hong Kong precisely lie here.

‘**Might is Right’, but Won’t Carry Too Far**
by Malcolm Subhan, *The Financial Express*, 24 December 2005.

THE article says that greater market access does not necessarily lead to increased trade. Development probably is a pre-condition to increased trade. Take the case of the 70-plus African, Caribbean and Pacific (ACP) countries that enjoy duty-free and quota-free access to the EU market for most of their exports under the Cotonu Convention. More than half of them have enjoyed such preferential access to the EU for the last 30 years. And yet, as recently as 2004, the ACP countries (excluding South Africa but including oil producing countries like Nigeria) accounted for below 3 per cent of total EU imports.

The picture is not very different as regards the duty-free and quota-free access which the WTO director-general, Pascal Lamy, granted the 49 least developed countries (LDCs). Their share of total EU imports was slightly more than 1 per cent in 2004, with Bangladesh alone accounting for 30 per cent of this, largely because of its garment exports.

WTO Deal Secures Concerns in Agri, Industrial Goods: India, *The Financial Express*, 20 December 2005, p. 4.

THE article says that the Hong Kong Ministerial addresses the concerns of both agriculture and industrial sectors and would drive India’s farm and manufacturing exports in global markets. The agreement, it says, fully secures the concerns of our farmers. It ensures that no subsidy-ridden farm products are exported to India. The phase out of export subsidies by developed countries would give Indian farmers a chance to compete in the world market.

The agreement protects domestic farmers against surge in imports through the provision of special products (SPS) and special safeguard mechanism (SSM) that have been included in the Ministerial Declaration.

Under SPS, India and other developing countries would not have to cut tariffs on a specific number of products while SSM incorporates both price and volume triggers to check a surge in cheap imports.

The agreement also takes on board the concerns of Indian industry, wherein developed countries would have to reduce tariff peaks and tariff escalations on products from developing nations like India. Elimination of tariff peaks and escalations would result in greater market access as developed countries would not be able to put higher duty for value-added products such as in leather and textiles.

The Ministerial Declaration also includes the principle of “less than full reciprocity” as a stand alone provision, which will govern all market access commitments. The agreement also takes a step forward on removal of non-tariff barriers and anti-dumping, a key concern of the Indian industry.

Agriculture Negotiations Hold the Key to Success by Pradeep S. Mehta, *The Financial Express*, 14 December 2005, p. 17.

THE article says that agriculture has always been the deal maker or deal breaker in global trade talks. As things stand today, the Hong Kong meeting will be but a stepping stone. In any event, the type of market access that some rich countries want in our farm goods market can always be dealt with under the special safeguard mechanism, which too is on the negotiating block. However, this is but one issue which has been blown out of proportion.

Further, it says that the rich are not in a mood to meet the commitments on special and differential treatment. In its concluding remarks, it says that brinkmanship will not help either India or the other countries.

Liberalizing Indian Agriculture by Rajesh Chadha and Pooja Sharma, *Margin*, April-June 2005, National Council & Applied Economic Research, Margin New Delhi.

THE article says that the agriculture sector has been subject to policy interventions and to policies providing preferential protection to the manufacturing sectors. India’s economic reforms and the proposed WTO Agreement on Agriculture (AoA), address such issues. India needs to play a more effective role in multilateral fora by using appropriate strategies and entering into strategic alliances.

In view of the relatively low levels of tariff rates actually applicable for most agricultural imports in

India, and the relatively high rates of protection applicable in industrial countries for several agricultural commodities, India should strongly support substantial reductions in bound tariff rates for agricultural commodities. India should negotiate for a maximum tariff binding for any agricultural commodity at no higher than 50 per cent. Also, while minimum access commitments were to be established on MFN basis, countries were allowed to count special arrangements as part of their minimum access commitments. This allowed the EU and the US to allocate imports as under the earlier quota system and trade expansion occurred only in the case of rice from access commitments made by Japan and Korea. Thus, very little additional access and trade resulted for efficient exporters, including developing countries like India. India should negotiate for complete elimination of the tariff quota system.

Further, it says that the most significant step taken in the UR was with regard to increased market access for agricultural products. This was achieved through converting all non-tariff measures (NTMs) into tariffs, subject to agreed maximum rates known as tariff binding. In other words, tariffication of all NTMs is required as result of which almost all NTMs on agriculture have been eliminated. As per the modalities, in case of industrial countries, all tariffs must be reduced by an average of 36 per cent and a minimum of 15 per cent, over a six year period, in equal annual steps. Other market access commitments included minimum access and current access provisions. The minimum and current access commitments are in the form of tariff rate quotas, allowing imports of specified quantities at tariffs lower than the normal bound tariff rates. Both quota volumes and quota tariffs are specified in the country schedules. As per the modalities, market access amounting to at least three per cent of domestic consumption in the base period of 1986-88 is to be ensured in the first year (with an increase to five per cent by the end of the transition period) or of imports of those years (current access), whichever is higher, for products that had been previously partially or completely banned. The modalities require current access in excess of stipulated minimum to be maintained. This was designed to ensure that market access was not reduced even if the tariffs introduced were more restrictive than measures prevailing before the Round.

In addition, as per the rules pertaining to Special and Differential Treatment, developing country members were allowed the flexibility of implementing all reduction commitments over a period of ten years instead of the six-year period applicable to industrial country members. Developing countries also had the option of binding tariffs at ceiling levels provided that that tariffs had not been previously bound. Under non-agriculture specific provisions of the WTO, India along with six other countries was permitted to retain non-tariff measures on imports of agricultural products on the grounds of balance of payments problems.

In the negotiations preceding the Uruguay Round, India had bound its tariff on a few agricultural products. India was not required to reduce customs duties with respect to the bound items during the ten-year period. In case of unbound tariffs, India set tariff bindings at ceiling levels of 100 per cent for primary products, 150 per cent for processed agricultural products and 300 per cent for edible oils.

Mood at WTO's Agriculture Negotiations

by T.S. Vishwanath, *The Financial Express*, 30 March 2005, p. 8.

THE article says that an interesting development to the negotiations on agriculture that needs close scrutiny is the sectoral initiative on market access put forward by the two Latin American countries and the US. The Latin American countries have sought to bring down tariffs for cut flowers to zero.

The US has forwarded a list of nine other products where it will prefer a sectoral initiative too. At the last agriculture meeting, the Colombians put forward the proposal and the US supported it by adding a few products of its own to the list, stating that it supports a sectoral zero for zero initiative on all these products. The US proposal does not stop at going towards a zero tariff alone for these products, but also links this cut in tariffs to deeper cuts in domestic support.

One area which has been of some concern in the agriculture negotiations is the technical issue of finding an acceptable method for converting specific duties into a*d valorem* equivalents (AVEs).

The Post-Hong Kong Trade Scenario
by Pradeep S Mehta and Pranav Kumar, 2005, National Council of Applied Economic Research, New Delhi.

THE article says that on providing duty and quota free market access to LDCs, the demand of all products has not been accepted unequivocally. In fact some of the LDCs might be completely denied this preferential market access. The language of the text on cotton is disappointing in contrast to the pressure mounted by the cotton producing least developed countries in West Africa. There is no clear and firm commitment from the US on reduction of domestic subsidies on cotton. The EU is a very minor cotton producer. Also, with regard to the demand of creating a "special development fund" for the transition period, the US remained non-committal.

Further, it says that South-South trade is facing impediments from their own barriers and also from the distortions caused by the protectionist trade policy of the North. Despite significant reductions in the obstacles to trade, the developing countries among themselves still maintain higher tariffs and non-tariff barriers. The cost of doing trade is very high among Southern countries. Therefore, it is important for the Southern countries to not only reduce tariffs and non-tariff barriers but also seriously undertake the exercise of trade facilitation measures at the regional level.

WTO and Dairy Trade: Recent Developments in Trade Negotiations by K. Elumalai and R.K. Sharma, *Foreign Trade Review*, July-Sept. 2003, Indian Institute of Foreign Trade, New Delhi.

THE article critically analyzes the extent of liberalization of international dairy trade under WTO rules. It is organized into four sections. The first section presents a brief history of international dairy trade negotiations under GATT. The broad disciplines of GATT and the current issues related to their implementation are presented in the second section. The recent developments on agricultural trade negotiations are presented in the third section and the concluding remarks are made in the final section.

The market access, it says, was highly restricted among major dairy producing countries prior to the implementation of Uruguay Round Agreement on Agriculture except for Australia and New Zealand. The import controls were used to protect the domestic producers of milk. The quantity-quotas in the US and Canada, prohibitive levies in the EU, import monopolies in Mexico and Japan, and other duties/taxes were used to restrict the import of dairy commodities.

However, to liberalize and regulate the international dairy market, member countries in the Uruguay Round agreed to bind the existing tariff levels and to convert the quotas and all other non-tariff barriers to tariff equivalents. These tariffs were to be reduced from the base period rates (1986 for the existing tariffs and 1986-88 for tariff equivalents) by 36 per cent for developed countries over a period of six years and 24 per cent over 10 years for developing countries. The tariff reduction commitments include a minimum cut of 15 per cent for developed countries and 10 per cent in the case of developing countries. Further, for tariffied products, a system of tariff-quota was also introduced to guarantee that the process of tariffication would not lead to a decline in market access. A tariff-quota is a two tiered tariff, called tariff rate quota (TRQ), in which the rate charged depends on volume imported. A limited volume can be imported at the lower tariff (in-quota tariff) and imports in excess of quota are charged a higher tariff (above-quota tariff).

The bound tariffs for various agricultural commodities committed under the country schedules were prohibitively very high. The tariff peaks, defined as percentage of tariff lines with tariffs in excess of 12 per cent was more prevalent in dairy and fisheries sector than average for all sectors of agriculture. The tariff peaks for dairy products as a whole in China and Korea was more than 90 per cent, while in Japan, it was about 86 per cent. Japan had the highest tariff rate of 370 per cent for yogurt, while Canada had 300 per cent for butter. The tariff peaks for dairy products in developing country was as low as zero per cent with the maximum tariff peak of 65 per cent.

In its concluding remarks, the article says that the WTO agreements achieved little in curbing the trade distortionist policies of the member countries. However, the "July Package" 2004 is a landmark achievement in trade negotiations after a successive failure to reach the consensus on negotiating modalities.

Unrestricted Market Access for Sub-Saharan Africa; How Much is it Worth and Who Pays?
by Elena Lanchovichina, Additya Mattoo, Marcelo Olarreaga, Policy Research Working Paper: 2595, World Bank and Trade & Development Research Groups, April 2001.

THE publication says that improved market access for the poorest countries is widely seen as a necessity to support their development efforts and also visualized as a critical element of a new "Development Round" of multilateral trade negotiations. Japan, the European Union and the United States are among those who have recently announced initiatives, supported by multilateral institutions like the WTO and the World Bank. While the measures differ in coverage, conditions and clarity, they have one thing in common: improved access is to be preferential, i.e. only the poorest countries will benefit.

The publication makes an attempt to (i) assess the value of alternative initiatives for Sub-Saharan African countries, henceforth referred to as SSA. (SSA, it says, includes thirtyseven countries in the region and excludes the Southern African Customs Union (SACU) and seven other Southern African countries); and (ii) study the implications of these initiatives for the rest of the world. Any liberalization, it says, is likely to benefit consumers in the preference granting countries. But preferential access for SSA exports will necessarily divert trade away from other exporters.

Further, it examines the main effects of granting preferential access to SSA countries using a partial equilibrium model.

Market Access for Developing Countries
by Hans Lankes, *Finance & Development*, September 2002, pp. 8-25.

THE article states that in the context of the Doha Development Agenda, the WTO is committed to negotiations aimed at substantially improving market access for agricultural and industrial products, in particular, for developing countries. Increased market access for developing countries is indeed a necessary first step in helping them grow their economies. But it is not sufficient. It must be part of a broader strategy in developing countries to promote a vigorous supply base. Inefficiencies in key sectors like telecommunications, transport and financial services often add more to these countries' port costs. Further reform of trade policies and the investment environment in developing countries will be necessary complements to better market access.

What's at Stake in the Next Trade Round
by Susan Offutt, Agapi Somwaru, Mary Bohman, Economic Research Service/USDA, Agricultural Outlook/December 2002.

THE article says that the most compelling argument to trade liberalization is that the future of developed country agriculture lies in the markets of the developing world. Why is this so? Because food markets in developed countries are mature, that is, they grow only slowly with population growth. Expansion in market share of one food product generally comes at the expense of another.

Further, it says that the "three pillars" of agricultural trade liberalization comprise: (i) increases in market access through lower tariffs, (ii) eliminations of export subsidies, and (iii) elimination of domestic subsidies that distort markets.

Trade liberalization, the article elaborates, has the potential to accelerate income growth in developing countries. It is income growth that drives change in demand for food, both in terms of total calories consumed and the source of calories, and that favours an increase in calories derived from meat and animal products. This change in demand often results in more demand for imports of livestock products for feedgrains.

In its concluding remarks, the article says that the US is a highly competitive exporter of meat products and feedgrains: its advantage would only be enhanced by introducing more reforms.

WTO Negotiations on Market Access in Agriculture: A Comparison of Alternative Tariff Cut Proposals for the EU and the US
by Jean Christophe Bureau and Luca Salvatici, http://econpapers.repect.org/article/bepeaptop/v

THE article provides a summary measure of the possible new commitments in the area of agricultural market access undertaken by the European Union and the United States, using the Trade Restrictiveness Index (TRI) as the tariff aggregator. It takes the 2001 bound tariffs as the starting point and makes an attempt to assess how much liberalization in agriculture could be achieved in the European Union and the United States as a result of the present negotiations. This is done by computing the index for 20 agricultural commodity aggregates under the actual commitments assuming a specific functional form for import demand, on the one hand, and comparing the present levels of the TRI with three hypothetical cases, on the other. These include: (i) a repetition of the same set of tariff cuts commitments of the Uruguay Round according to an EU proposal prior to the 2003 WTO ministerial meeting; (ii) a uniform 36 per cent reduction of each tariff, and (iii) a harmonization ("Swiss") formula based on the initial US proposal.

Doha Development Round Perspectives
by George Koopmann, Hamburg Institute of International Economics (GWWA), Hamburg (Germany).

THE article says that in the agriculture sector, "classical" market access issues (tariff protection, domestic and export subsidies) dominate the multilateral agenda. Suppliers from developing countries would probably derive greater benefit from a tariff reduction in industrialized nations than from a reduction in subsidies. In both cases however, some developing countries would emerge as winners, others as losers. Where tariffs are dismantled, countries that previously enjoyed preferential treatment would lose out, since their benefits would be eroded by tariff reductions. In case of subsidy cuts, importing countries would suffer. This raises the question of compensatory solutions in the multilateral negotiations.

The "other" market access issues (health, hygiene animal and plant protection) deal with non-trade concerns such as the precautionary principle of environmental protection. In this context, protectionist abuse must be prevented. However, the main problem facing developing countries in these areas is their insufficient capacity to comply with the high standards demanded by their trading partners. To ensure that market access in industrialized nations is not denied on the basis of consumer, animal or environmental protection requirements, effective institutions would need to be established in developing countries. This is an area in which technical development cooperation is of primary importance. •

DOCUMENTS

Ministerial Conference
Sixth Session
Hong Kong, 13-18 December 2005

DOHA WORK PROGRAMME

Draft Ministerial Declaration

ANNEX A

Market Access

Report by the Chairman of the Special Session of the Committee on Agriculture to the TNC

Tiered Formula

- We have progressed on *ad valorem* equivalents.[1] This has successfully created a basis for allocating items into bands for the tiered formula.
- We have a working hypothesis of four bands for structuring tariff cuts.
- There has been very considerable convergence on adopting a linear-based approach for cuts within those bands. Members have, of course, by no means formally abandoned positions that are even more divergent.[2] We need now to narrow the extent of divergence that remains. This will include whether or not to include any "pivot" in any band.
- Members have made strong efforts to promote convergence on the size of actual cuts to be undertaken within those bands. But, even though genuine efforts have been made to move from formal positions (which of course remain), major gaps are yet to be bridged. Somewhat greater convergence has been achieved as regards the thresholds for the bands. Substantial movement is clearly essential to progress.[3]
- Some Members continue to reject completely the concept of a tariff cap. Others have proposed[4] a cap between 75-100 per cent.

Sensitive Products

- Members have been prepared to make concrete - albeit conditional - proposals on the number of sensitive products. But, in a situation where proposals extend from as little as 1 per cent to as much as 15 per cent of tariff lines, further bridging this difference is essential to progress.
- The fundamental divergence over the basic approach to treatment of sensitive products needs to be resolved.[5] Beyond that, there needs to be convergence on the consequential extent of liberalization for such products.

Special and Differential Treatment

- Just as for developed countries, there is a working hypothesis of four bands for developing countries. There is no disagreement on lesser cuts within the bands. A certain body of opinion is open to considering cuts of two-thirds of the amount of the cuts for developed countries as a plausible zone in which to search more intensively for convergence.[6] But significant disagreement on that remains, and divergence is, if anything, somewhat more marked on the connected issue of higher thresholds for developing countries.[7]

- Some Members continue to reject completely the concept of a tariff cap for developing countries. Others have proposed[8] a cap at 150 per cent.
- For sensitive products, there is no disagreement that there should be greater flexibility for developing countries, but the extent of this needs to be further defined.[9]

Special Products

- Regarding *designation* of special products, there has been a clear divergence between those Members which consider that, prior to establishment of schedules, a list of non-exhaustive and illustrative criteria-based indicators should be established and those Members which are looking for a list which would act as a filter or screen for the selection of such products. Latterly, it has been proposed (but not yet discussed with Members as a whole) that a developing country Member should have the right to designate at least 20 per cent of its agricultural tariff lines as Special Products, and be further entitled to designate an SP where, for that product, an AMS has been notified and exports have taken place. This issue needs to be resolved as part of modalities so that there is assurance of the basis upon which Members may designate special products.
- Some moves toward convergence on *treatment* of Special Products have been made recently. Some Members had considered that special products should be fully exempt from any new market access commitments whatsoever and have automatic access to the SSM. Others had argued there should be some degree of market opening for these products, albeit reflecting more flexible treatment than for other products. In the presence of this fundamental divergence, it had clearly been impossible to undertake any definition of what such flexibility would be. Genuine convergence is obviously urgently needed. There is now a new proposal for a tripartite categorization of Special Products involving limited tariff cuts for at least a proportion of such products which remains to be fully discussed. It remains to be seen whether this discussion can help move us forward.

Special Safeguard Mechanism

- There is agreement that there would be a special safeguard mechanism and that it should be tailored to the particular circumstances and needs of developing countries. There is no material disagreement with the view that it should have a quantity trigger. Nor is there disagreement with the view that it should at least be capable of addressing effectively what might be described as import “surges”. Divergence remains over whether, or if so how, situations that are lesser than “surge” are to be dealt with. There is, however, agreement that any remedy should be of a temporary nature. There remains strong divergence however on whether, or if so how, a special safeguard should be “price-based” to deal specifically with price effects.
- There is some discernible openness, albeit at varying levels, to at least consider coverage of products that are likely to undergo significant liberalization effects, and/or are already bound at low levels and/or are special products. Beyond that, however, there remains a fundamental divergence between those considering all products should be eligible for such a mechanism and those opposing such a blanket approach.

Other Elements

There has been no further material convergence on the matters covered by paragraphs 35 and 37 of the July 2004 Framework text. The same may be said for paragraph 36 on tariff escalation, albeit that there is full agreement on the need for this to be done, and a genuine recognition of the particular importance of this for commodities exporters. Certain concrete proposals have been made on paragraph 38 (SSG) and met with opposition from some Members.

Concrete proposals have been made and discussed on how to implement paragraph 43 of the July 2004 Framework on tropical and diversification products. But there remains divergence over the precise interpretation of this section of the July Framework[10] and no common approach has been established.

The importance of long-standing preferences pursuant to paragraph 44 of the July 2004 Framework is fully recognized and concrete proposals regarding preference erosion have been made and discussed.[11] There seems not to be inherent difficulty with a role for capacity building. However, while there is some degree of support for e.g. longer implementation periods for at least certain products in order to facilitate adjustment, there is far from convergence on even this. Some argue it is not sufficient or certainly not in all cases, while others that it is not warranted at all.

LEAST-DEVELOPED COUNTRIES

There is no questioning of the terms of paragraph 45 of the July Framework agreement, which exempts least-developed countries from any reduction requirement. The stipulation that "developed Members, and developing country Members in a position to do so, should provide duty-free and quota-free market access for products originating from least-developed countries" is not at this point concretely operational for all Members. At this stage, several Members have made undertakings. Proposals for this to be bound remain on the table.[12]

COTTON

While there is genuine recognition of the problem to be addressed and concrete proposals have been made, Members remain at this point short of concrete and specific achievement that would be needed to meet the July Framework direction to address this matter ambitiously, expeditiously and specifically. There is no disagreement with the view that all forms of export subsidies are to be eliminated for cotton although the timing and speed remains to be specified. Proposals to eliminate them immediately or from day one of the implementation period are not at this point shared by all Members. In the case of trade distorting support, proponents seek full elimination with "front-loaded" implementation.[13] There is a view that the extent to which this can occur, and its timing, can only be determined in the context of an overall agreement. Another view is that there could be at least substantial and front-loaded reduction on cotton specifically from day one of implementation, with the major implementation achieved within twelve months, and the remainder to be completed within a period shorter than the overall implementation period for agriculture.[14]

RECENTLY-ACCEDED MEMBERS

Concrete proposals have been made and discussed, but no specific flexibility provisions have commanded consensus.

MONITORING AND SURVEILLANCE

A proposal has been made but there is no material advance at this point.

OTHER ISSUES

On paragraph 49 (sectoral initiatives, differential export taxes, GIs) certain positions and proposals have been tabled and/or referred to. They are issues that remain of interest but not agreed.

At this point, proposals on paragraph 50 have not advanced materially.

In the case of small and vulnerable economies, a concrete proposal has been made recently. It has not yet been subject to consultation.

There is openness to the particular concerns of commodity-dependent developing and least-developed countries facing long-term decline and/or sharp fluctuations in prices. There is, at this point (where, overall, precise modalities are still pending), support for the view that such modalities should eventually be capable of addressing effectively key areas for them.[15]

NOTES

1 The method for calculating the AVEs for the sugar lines is still to be established.

2 At one end of the spectrum, as it were, a "harmonization" formula within the bands; at the other end "flexibility" within the formula.

3 The matrix below is an illustrative table that portrays the extent of divergences that remain, even on the basis

of post-August 2005 proposals. This does not entirely cover all the subtleties of those proposals to utilize a "pivot" (although most are in fact within the ranges tabulated), but is intended to convey a snapshot of the status of average cuts proposed post-August.

	Thresholds	*Range of cuts (%)*
Band 1	0% - 20/30%	20-65
Band 2	20/30% - 40/60%	30-75
Band 3	40/60% - 60/90%	35-85
Band 4	>60/90%	42-90

[4] As an element in certain conditional proposals on overall market access, tabled post-July 2005.

[5] Some see this as being tariff quota based and expressed as a percentage of domestic consumption, with proposals of up to 10%. Others propose *pro rata* expansion on an existing trade basis, including taking account of current imports. Some also propose no new TRQs, with sensitivity in such cases to be provided through other means, e.g. differential phasing. There is also a proposal for a "sliding scale" approach.

[6] In this pillar, as well as in the other two, there is general convergence on the point that developing countries will have entitlement to longer implementation periods, albeit that concrete precision remains to be determined.

[7] The matrix below is an illustrative table that portrays the extent of divergences that remain, just on the basis of post-August 2005 proposals.

	Thresholds	*Range of cuts (%)*
Band 1	0% - 20/50%	15-25*
Band 2	20/50% - 40/100%	20-30*
Band 3	40/100% - 60/150%	25-35*
Band 4	>60-150%	30-40*

* There is also a proposal that cuts for developing countries should be "slightly lesser" than the upper tariff cuts for developed countries shown in the preceding table (i.e.: "slightly lesser" than 65, 75, 85 and 90%).

[8] As an element in certain conditional proposals on overall market access, tabled post-July 2005.

[9] While the eventual zone of convergence for developed countries undoubtedly has a bearing in this area, it has been proposed by a group of Members that the principles of sensitive products generally and for TRQs specifically should be different for developing countries. Another group of Members has proposed, in the post-August period, an entitlement for developing countries of at least 50% more than the maximum number of lines used by any developed Member. This would (based on developed country proposals) amount to a potential variation between 1.5% and 22.5% of tariff lines. This latter group has also proposed that products relating to long-standing preferences shall be designated as sensitive and that any TRQ expansion should not be "at the detriment of existing ACP quotas". This particular view has been, however, strongly opposed by other Members which take the firm position that tropical and diversification products should not at all be designated as sensitive products.

[10] It is argued by some Members that this is to be interpreted as meaning full duty- and tariff quota-free access, but by others as less than that.

[11] Note 15 above refers.

[12] It is also proposed that this should be accompanied by simple and transparent rules of origin and other measures to address non-tariff barriers.

[13] Concrete proposals have been made, with a three-step approach: 80% on day one, an additional 10% after 12 months and the last 10% a year later.

[14] A Member has indicated that it is prepared to implement all its commitments from day one and, in any case, to autonomously ensure that its commitments on eliminating the most trade-distorting domestic support, eliminating all forms of export subsidies and providing MFN duty- and quota-free access for cotton will take place from 2006.

[15] This would appear to include in particular such a matter as tariff escalation, where it discourages the development of processing industries in the commodity producing countries. The idea of a review and clarification of what the current status is of GATT 1994 provisions relating to the stabilization of prices through the adoption of supply management systems by producing countries, and the use of export taxes and restrictions under such systems is also on the table. Proponents would seek something more than this such as more concrete undertakings in the area of non-tariff measures and actual revision of existing provisions. There is, at this point, no consensus in these latter areas, but an appreciation at least of the underlying issues at stake.

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