

Agriculture Question & Answers

Question 1. What Is The Agreement On Agriculture?

Answer :

The Agreement on Agriculture (AoA) came into force on 1 January 1995 and brought not only all basic agricultural products but also the products derived from them under multilateral rules and commitments. Also included are wines, spirits, tobacco products, fibres such as cotton, wool and silk and raw animal skins for leather production. Fish and fish products are not included; nor are forestry products.

The AoA prescribes rules in the areas of market access (tariffs and tariff rate quotas), domestic support (production related subsidies) and export competition (export subsidies, export credit and international food aid). These three elements are commonly referred to as the “pillars” of agricultural trade reform. The commitments of member countries in each of the three “pillars” are contained in their individual schedules. The commitments were implemented over a period of 6 years by developed countries and 10 years by developing countries starting from 1995.

Question 2. Does The Wto Determine The Customs Tariffs On Import Of Agricultural Products?

Answer :

Customs tariff is the duty charged on the import of any good into the domestic territory of a country. WTO Member countries are expected to “bind” their customs tariffs, in other words, they are expected to notify the ceiling rates of tariffs. The tariffs which are actually imposed by the Customs authorities on imports into a country are the applied customs tariffs. Each Member is free to set

the applied customs tariffs. The only restriction is that the applied tariff of the Member on an agricultural product cannot exceed the bound customs tariff on the product.

For example, the “bound” customs duty on wheat notified to the WTO by India at the end of the Uruguay Round is 70%. Customs duty on wheat imposed by India cannot therefore be increased beyond 70%.

Question 3. Rules For Multilateral Trade In Agricultural Products Were Already In Place At The End Of The Uruguay Round. What Is The Purpose Of The Agricultural Negotiations Under The Doha Round?

Answer :

Negotiations in the Doha Round are aimed at establishing a fair and market-oriented trading system through a program of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. These objectives are to be realized through substantial improvements in market access for agricultural products; reduction and eventual phasing out of all forms of export subsidies; and substantial reductions in trade-distorting domestic support.

Thus, while the AoA is the first multilateral agreement for introducing disciplines in respect of agricultural trade, the Doha negotiations are aimed at further lowering subsidies that distort agricultural markets and reducing barriers to market access.

Question 4. Can We Use Non-tariff Measures On Imports Of Agricultural Products?

Answer :

Market access issues dealt by the AoA are limited to tariffs and tariff rate quotas. Before the Uruguay Round, some agricultural imports were governed by various forms of quotas and other non-tariff measures (NTMs). These measures have been converted into their tariff equivalents, i.e. they provide more-or-less equivalent levels of protection as did the NTMs. Conversion of the quotas and other types of NTMs into tariffs is called “tariffication”. The AoA prohibits the use of non-tariff measures that are exclusively for agricultural products. It effectively means that tariffs are normally the only border protection measure allowed. However, members can resort to non-tariff measures under the balance-of-payments provisions and other non-agriculture specific provisions of GATT 1994 and other multilateral trade agreements which are applicable to general trade in goods (industrial or agricultural).

Question 5. Was India Required To Cut Its Tariffs On Agricultural Products As A Result Of The Uruguay Round Of Agriculture Negotiations?

Answer :

Uruguay Round participants agreed that developed countries would cut their committed bound tariffs by an average of 36%, in equal steps over six years. Developing countries had to reduce their bound tariffs by 24% in 10 years.

Several developing countries like India used the option of offering ceiling tariff rates rather than tariffication. India opted to do so because it was maintaining quantitative restrictions on account of Balance of Payment problems, which were eliminated in March 2001.

At the end of the Uruguay Round, India had bound its tariffs on most items, at 100% for primary products, 150% for processed products and 300% for edible oils. Bound tariffs on some products (comprising about 119 tariff lines) were lower since they were historically bound at a lower level in the earlier Rounds of multilateral trade negotiations.

Subsequently, however, negotiations were conducted under GATT Article XXVIII and the binding levels were revised upwards in December 1999 on 15 tariff lines including skimmed milk powder, spelt wheat, paddy, rice, maize, millet, sorghum, rape, colza and mustard oil, fresh grapes etc.

Question 6. How Are Subsidies Provided To Farmers Of Any Concern To The Wto?

Answer :

The reason why it was considered necessary to reduce and discipline domestic support policies that support domestic prices, or subsidize production in some other way, is that they encourage over-production. This squeezes out imports or leads to export subsidies and low-priced dumping on world markets.

Question 7. Are Subsidies To Farmers Completely Prohibited Under The Aoa?

Answer :

No. The AoA distinguishes between support programmes that stimulate production directly, and those that are considered to have no direct effect. Subsidies that are in the nature of programmes having direct effects on production and trade, referred to as the “Amber Box”, have to be reduced. In the terminology used by the AoA, these subsidies are called “aggregate measurement of support” or “AMS”. Developed countries were required to reduce their AMS as existing during 1986-88 (the “base period”) by 20% over six years starting in 1995. Developing countries had to reduce their AMS by 13.3% spread over a 10-year period. Least-developed countries were not required to make any cuts.

Question 8. Did India Have To Reduce Subsidies Provided To Its Farmers As A Consequence Of The Uruguay Round Negotiations?

Answer :

India was not required to reduce any of the subsidies given to its farmers. This is because India's total AMS was well below the ceiling prescribed in the AoA.

Moreover, developing countries have been provided three additional exemptions, namely,

investment subsidies which are generally available to agriculture;
agricultural input subsidies generally available to low-income or resource-poor producers; and
domestic support to producers to encourage diversification from growing illicit narcotic crops.

Question 9. Are Subsidies On Exports Of Agricultural Products Permitted?

Answer :

The AoA prohibits export subsidies unless the subsidies are specified in a member's schedule of commitments. Where they are listed, the agreement requires WTO members to cut both the amount of money they spend on export subsidies and the quantities of exports that receive subsidies. Taking averages for 1986-90 as the base level, developed countries agreed to cut the value of export subsidies by 36% over six years and developing countries by 24% over ten years starting in 1995. Developed countries also agreed to reduce the quantities of subsidized exports by 21% over the six years (14% over 10 years for developing countries). Least-developed countries were not required to make any cuts. During the six-year implementation period, developing countries were allowed under certain conditions to use subsidies to reduce the costs of marketing and transporting for exports.

Question 10. What Are Modalities?

Answer :

Negotiating Groups have been constituted in the WTO on each aspect of the negotiations. From time to time, based on the views expressed by the WTO Members, the Chairs of these Groups bring out draft modalities containing proposals that would help realize the objectives of the negotiations. In the agriculture negotiations, the draft modalities include formulas and other methods to be used to reduce tariffs and agricultural subsidies. The Chair of the Negotiating Group on Agriculture brought out Draft Modalities on Agriculture on 17 July 2007 ; 1 and based on the multilateral discussions, brought out further revised draft versions on 8 February , 19 May and 10 July 2008 . The revised draft text of 10 July 2008 formed the basis of discussion during the Mini-Ministerial meeting of the WTO in Geneva in July 2008. A fourth revised draft version was issued on 6 December 2008.

Question 11. Which Are The Main Coalition Groups In The Agriculture Negotiations? Is India A Member Of Any Coalition?

Answer :

The main coalition groups in the agriculture negotiations are the G-20, the G-10, the G-33, the Cairns Group, the African Group, the African-Caribbean-Pacific (ACP) Group and the Cotton-4 (Benin, Burkina Faso, Chad and Mali). Other groupings include the group of small and vulnerable economies (SVEs), Least developed countries (LDCs) and the Tropical Products group. India is a member of the G-20 and G-33 coalition groups. The G-20, led by Brazil, is a coalition of developing countries pressing for ambitious reforms of agriculture in developed countries with some flexibility for developing countries. The G-33, led by Indonesia, is spearheading the developing country effort to arrive at satisfactory modalities on Special Products and the Special Safeguard Mechanism as provided for in the mandate of the Doha Round. These two measures are critical parts of the special and differential treatment provisions for developing countries.

Question 12. How Will Agricultural Tariffs Be Reduced In The Doha Round?

Answer :

There are two main elements in the market access modalities that are on the table:

Band-wise tariff reductions; and

Flexibilities or deviations from the prescribed tariff reductions to be used by members (developed and developing) to address their special needs.

Tariffs are proposed to be cut according to a formula, which prescribes steeper cuts on higher tariffs. These reductions are to be made from bound rates.

Question 13. Will Tariffs On All Agricultural Products Be Cut As A Result Of The Doha Round Negotiations?

Answer :

The mandate of the Doha Round provides for flexibilities or deviations from the prescribed tariff reductions to be used by members (both developed and developing) to address their special needs.

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Question 14. Will India Continue To Have Adequate Policy Space To Raise Tariffs On Agricultural Products Even After The Doha Round?

Answer :

The tariff cuts to be taken by developing countries would be moderated by four flexibilities that are built into the mandate of the Doha Round:

Developing countries are required to undertake no more than a maximum overall average cut of 36%. If the band-wise cuts described above lead to an overall average cut higher than 36%, they can take a lower cut proportionately across bands to keep within 36%. A simple slotting of India's tariffs into the appropriate

tariff band and the applicable cut, results in an overall average cut of around 41%. So, we can scale back the cuts by the same factor in each band so that the overall average cut is no more than 36%.

Question 15. How Will India Protect The Interests Of Its Poor And Vulnerable Farmers?

Answer :

The Hong Kong Ministerial Declaration of December 2005 provides that developing country members would have the flexibility to self-designate an appropriate number of tariff lines as “Special Products” (SPs) guided by indicators based on the criteria of food security, livelihood security and rural development. This is a special and differential treatment provision that allows developing countries some flexibility in the tariff cuts that they are required to make on these products.