Economic Commission for Africa

Africa and the WTO Agreements in Agriculture: Concepts and Policies for Post Doha Negotiations

A Background Issues Paper

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ABSTRACT

African countries confront formidable challenges in the identification, interpretation, and resolution of the major issues under the Post-Doha agricultural negotiations. This paper critically explores the major analytical, empirical and policy issues confronting Post-Doha negotiations in agriculture. It is imperative that for the current round of multilateral trade negotiations on agriculture to produce further liberalization of world agricultural markets, concerted efforts will be required from all WTO members to deal effectively with a number of thorny issues which distort these markets.

Accordingly, the current discussions would need to address a number of important issues including the need to improve market access for products of developing countries in developed country markets; modalities to deal with trade distorting domestic measures and export subsidies; the need to improve on the current provisions of the special and differential treatment (S & D) for developing countries; and the need to incorporate "non-trade concerns" in the Agreement on Agriculture in order to address concerns of developing countries regarding food security, rural development, rural development and poverty reduction. At Doha, developing countries called for inclusion of a "Development Box" as one avenue to address developmental aspects of the Agreement on Agriculture {AoA).

The current negotiations on agriculture will indeed be extremely difficult, mainly because of the entrenched agricultural lobby groups in developed countries, who would wish to continue to benefit from domestic support measures and export subsidies at the expense of exporters of agricultural products from developing countries, and the perceived functionality of agriculture in many countries. It is hoped that this paper will contribute to the ongoing debate on liberalization of world agricultural markets, focusing on the implications for African countries.

The following key questions emerge on the role of the agricultural sector in the African economy and in turn the critical contribution of agricultural trade and agricultural negotiations in stimulating growth and development:

Why is agriculture critically important to African economies?
Why is agricultural trade of paramount importance for African economies?
Why is 'fair' and 'equitable' trade critical to liberalization and globalization?
What is the historical record of global trading norms and its implications for African trade prospects?
Did the UR incorporate agriculture in the trade system in a way that has significantly improved the operation of international agricultural markets?
What is the reality of the global trading system facing African economies-in terms of market access, trade distortion hurdles, and meaningful special support for developing countries?
What are the key steps, which need to be taken to redress the inequalities in the global trading system facing Africa?

1. INTRODUCTION

Agriculture is of crucial importance for African economies in terms of development and trade and this impinges on the nature of the sector's domestic and external liberalization. It accounts for more than a third of Gross Domestic Product (GDP), nearly 70 percent of employment, and 40 percent of export earnings with the entire foreign exchange earnings of most African countries being based on one or two agricultural commodities. Hence, Africa's performance in world agricultural markets is of paramount importance for not only raising economic growth but also employment and incomes. However, the agricultural sector confronts twin problems in terms of its capacity to increase output and to gain access to global markets. In this respect, first, despite major policy reforms in recent years African agriculture remains seriously under-capitalized with relatively low levels of productivity and generally weak backward and foreward linkages within agriculture and with other sectors; secondly, the nature and content of Africa's trading relationship with the world economy hinges therefore significantly on its ability to bolster participation in world agricultural markets and confronting the major challenges in identifying, evaluating, and evolving relevant strategies. Fundamental to the effective integration of African economies in world agricultural markets, therefore, is not only their ability to effectively participate in bilateral and multilateral trade negotiations, but more importantly being able to effectively deal with supply constraints as well as for the international community to overcome the hurdles which inhibit these countries from exporting to markets of developed countries.

In this frame the outcome of the Doha WTO Ministerial Conference held in Doha, Qatar, in November 2001, and the agreement to launch a "new round of multilateral trade negotiations" to be completed by 2005, offer hope in establishing meaningful trade relationship between Africa and the world economy. The Doha Ministerial Declaration has given members of the WTO the mandate to engage in negotiations on a variety of issues. This includes the WTO's "built-in-agenda" exemplified by agriculture and services. Although trade in agriculture was part of the General Agreement on Tariffs and Trade (GATT), the applicable multilateral trade discipline was weak. It contained various exemptions. It was not even comparable to multilateral trade disciplines in manufactures. The developed countries took advantage of the pre-Uruguay Round (UR) multilateral trade in agriculture discipline and abused the exemptions. Hence, prior to the UR, agricultural production and trade in the developed countries were marked by quantitative restrictions, variable import levies, minimum import prices, discretionary import licensing, non-tariff measures maintained through state-trading enterprises, and voluntary export restraints among others. While agricultural development in the developed countries was characterised by high and varied non-tariff measures (NTMs), the developing countries, especially African ones, imposed heavy taxation on agricultural production and trade.

At Doha, member countries of the WTO committed themselves to build on the work already carried out in the negotiations on trade in agricultural products. They promised comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. They agreed that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations. Non-trade concerns, moreover, were to be incorporated in the negotiations as stipulated in the Agreement on Agriculture.

Modalities for the further commitments, including provisions for special and differential treatment, are to be established no later than 31 March 2003. [1]

The preamble of the AoA states that the objective of the reform of trade in agriculture should aim at providing "for substantial progressive reductions in agricultural support and protection sustained over a period of time, resulting in correcting and preventing restrictions and distortions in world agricultural markets". Of critical importance to African countries are provisions, which identify non-trade concerns; special and differential (S&D) treatment; least developed countries (LDCs) and net food-importing developing countries (NFIDCs) concerns; and the establishment of a fair and market-oriented agricultural trading system. These must be the guiding principles of the reform process. S&D treatment is a horizontal issue cutting across market access, export competition and domestic support to compensate for structural and economic inequalities between developing and developed countries. This makes an operational and binding S&D treatment vital.

Negotiations in agriculture began in early 2000 under Article 20 of the WTO Agriculture Agreement. By the time of the Doha Ministerial Conference, many governments had submitted a large number of negotiating proposals. The Doha Declaration aspires to build on work already undertaken, and the ultimate goal is to achieve further liberalisation of trade in agricultural products. A number of shortcomings of the AoA can be identified in terms of the critical issue of market access[2]:

- Balance of payments, safeguard, Phytosanitary and Sanitary Measures are weak as anti-dumping measures are still retained in the tariffication process;
- Tariffication is not going to remove all quantitative restrictions, levies, border duties, and all non-trade barriers immediately as they have to be phased out over 10 years;
- Tariff walls in developing countries still remain high even after tariff reduction;
- Uncertainty over specific domestic support measures –as a country can manipulate every year the rate of subsidy for a number of its products the way it desires, provided that it is within the ceiling given in the Schedule-it is therefore difficult for exporters in other countries to plan their exports due to uncertainties;

In this context this paper is focussed on the identification, the interpretation, and the resolution of the major issues which confront African countries in the negotiations on agriculture under the Post Doha agenda. This is based on a critical analysis of the three major inter-linked concerns which impinge on strengthening participation in global agricultural markets and increasing agricultural supply capacity: a] market access b] domestic support and export subsidy policies and c] special provision for developing nations and 'non-trade' policies –including food security, rural development and poverty reduction. The aim is to furnish informed research to bolster the bargaining power and negotiating capacity of African negotiators. The analysis is covered in Section II-Section V.

[1] Ministerial Declaration, Fourth Session of the Ministerial Conference of the World Trade Organization, Doha, Qatar, 14 November 2001, document WT/MIN (01)/DEC/W/1

[2] U.N.R.I.C.D, Market Access for African Countries Under WTO, No.10, June 2001.

Section II

Africa Agriculture and Global Trade

This locates the recent post colonial marginalization of African agriculture and trade against a brief historical backdrop.

Section III

The Post Doha Declaration and the Agreement on Agriculture

This critically explores the key issues of agricultural negotiations, market access, domestic support and export subsidies, Special and Differential Treatment, and Non-Trade concerns in agriculture, in the context of the Post Doha Declaration:

Analysis is made of the ways in which the Doha Agenda on trade in agricultural products envisages continuation of the negotiations already started with their completion by 1 January 2005: the need to urgently resolve during the negotiations issues on market access, phasing out of domestic production and export subsidies, special and differential treatment for developing countries and non-trade concerns including food security, rural development and poverty reduction.

The sub-section on 'GATT, WTO and Agricultural Negotiations' makes a historical analysis of the basis of the agricultural negotiations encompassing the emergence of GATT [1947] and the emergence of the WTO [1995] and the underlying principles of international trade. In this setting the possible negotiating stances which could be adopted by African countries is discussed.

The sub-section on 'Market Access, Tariffs and Non Tariff Barriers' explores the nature and structure of tariffs and Non Tariff Barriers and the ways in which they inhibit African exports, the nature of safeguard measures to cushion against sudden import surges, and the key 'modalities' or instruments to ensure that tariff and NTB in developed countries can be reduced with positive impact on African exports.

The sub-section on 'Domestic Support Measures and Export Subsidies' investigates the ways in which these measures are used by developed countries and the implications for trade distortions and lowering the prices of developed country food products in the world markets. These inflict serious damage on the prospects of African exports. Domestic support measures include permissible and non-permissible subsidies under three key 'boxes'-the 'Green Box,' the 'Amber Box,' and 'Blue Box..' The role of the 'Peace Clause' to protect countries using subsidies from being challenged is also analysed. The nature, magnitude and the use of export subsidies including the need to tighten export credits, guarantees, and insurance is investigated.

The sub-section on 'Special and Differential Treatment' unfolds the provision under the Uruguay Round and WTO Agreements to create a level playing field in the multilateral trading system through exemptions and/or longer time periods for developing countries and especially LDCs in the implementation of the Agreements. The underpinnings of the S and DT are explained, the emphasis under the Marrakech Declaration to ensure special support for developing countries is reviewed, and the ways in which the key features of S and DT can be bolstered in the negotiations are reiterated.

The sub-section on ‘Non-Trade Concerns in Agriculture’ uncovers, in the context of the multifunctional role of agriculture, the critical measures to support the building of food security, rural development and poverty reduction and their implications for sustainable development. The use of a ‘Development Box’ as a key modality to shape an integrated solution to non-trade concerns is explored.

Section IV

The Reality of Market Access, Domestic Support Measures and Export Subsidies

This section reveals the gap between the theory and the reality of agricultural commitments under the Agreement on Agriculture and the Post Doha Agenda. This captures the actual practices by the developed countries including domestic support and export subsidies and the implications of agricultural reforms for developed and developing countries...

Section V

The Post Doha Agricultural Negotiations: the future

This section encapsulates the feasible negotiating strategies which African negotiators can pursue. This discusses the scope of devising common goals and strategies to establish a meaningful relationship between agricultural negotiations and development.

II. African Agriculture and Global Trade

Post colonial marginalization of African agriculture and trade cannot be divorced from its historical context- the integration of Africa into the world economy since the pre-colonial era. The incapacity to make radical reform to the colonial structures led to most of the economies being dependent on economic policies based on agricultural and mineral exports, reliance on foreign aid, and foreign investment, and in recent post colonial periods-from the 1980’s onwards- to the search for measures to overcome heavy external debts. This emerges in the frame of African economies possessing weak bargaining power vis a vis external institutions.

Colonial policies primarily served the interests of the rulers: as sources of raw materials and labour and market for goods of the latter. This shaped the nature of post colonial relationships with far reaching impact on economic and political structures, the nature of democracy, and the role of the state and the market. The economies were typified by unequal terms of trade, based on exports of cash crops, major reliance on imports of manufactured goods, dependence on multilateral and bi-lateral aid and selective forms of foreign investment. This has been reinforced, since the 1980s, by heavy external debts and heavy debt servicing.

Against this backdrop, the recent post colonial marginalization of Africa in the world economy is mirrored by its low total value of world trade in 1999 representing less than 2% of total world trade in exports.[3] Moreover, this marked a decline from 3.5% in 1970 and also

[3] Hellinier, G, ‘Marginalization and/or participation:Africa in today’s global economy,’ University of Toronto.

a 16% decline in merchandise exports decline over 1990-1999. On the other hand the value of Africa's merchandise imports from the rest of the world increased over the same period [1990-99] by 4%. Africa, however, still represents only 1.5% share of world exports down from 4.5% in 1970. In contrast the commercial sector Africa's exports to the world actually increased by 5%-this surge was driven mainly by the tourism sector.

A key feature of the African economies has been a decline in commodity prices for its products -exemplified by the price of cocoa and copper on the world market which has more than halved in the past 10 years. This implies that Africa's share of world trade has shrunk since 1980 in spite of structural adjustment programmes. Her dependence on exports of commodities has to be placed in the context of unstable prices and falling terms of trade-the latter underpins its increasing inability to retain its purchasing power. [4] In fact, most not only depend on primary exports but export earnings are also concentrated in a few primary products-some countries for instance depend on three commodities for as much as 90% of their total merchandise exports and for most of the countries it is above 50%. Moreover, primary export prices have been more unstable than those of manufactured goods and have been declining in real terms for many decades. This has been intensified by the failure of primary commodities especially since these comprise 90% of African exports and their volume and value in the world are expected to decline.

Thus, the scope of agriculture and agricultural negotiations in paving transformation of the economy cannot be divorced from the harsh domestic and external environment. Undoubtedly, it is essential to build a stable and investment friendly macroeconomic environment, develop relevant skills and cope with the changing nature of the international environment. This encompasses the deteriorating terms of trade, debt servicing, and decline in inflows of external resources, and low foreign direct investment [FDI]. Thus, in order to take advantage of liberalization and globalization African countries need to formulate integrated policies on a number of fronts linking agricultural trade to investment and production or supply capacity.

111. The Post Doha Agenda and the Agreement on Agriculture

The Doha agenda for negotiations on trade in agricultural products envisages continuation of the negotiations already started, with their completion by 1 January 2005. Negotiations on agriculture begun in early 2000 under Article 20 of the WTO Agriculture Agreement. By November 21, 2001 and the Doha Ministerial Conference nearly 121 governments had submitted a large number of negotiating proposals. After Doha a number of schedules for negotiations and deadlines have been agreed to advance the negotiations.

The Post Doha Agenda unfolds the following key concerns:

- Negotiations on agriculture to be completed by 1 January 2005- government commitments to usher in market access, phase out domestic production and export subsidies, and ensure Special and Differential Treatment, including Non Trade concerns;

[4] Blackhurst, R and Lyakurma, W, 'Markets and market access for African exports: past, present and future directions', unpublished paper; Inama, S, "Market access for LDCs'. Journal of World Trade 36[1], 2002.

- African countries wanting to focus on “implementation issues”-a failure to carry out promises by developed countries;

- Agreement reached that a revision of past accords be incorporated into the new round;

- Negotiations in agriculture began in early 2000 under Article 20 of the WTO Agriculture Agreement and saw by November 21, 2001 and the Doha Ministerial Conference 121 governments submitting many negotiating proposals;

- Doha Declaration to build on work already undertaken, confirming and elaborating the aims and setting a timetable; this encompasses agriculture as part of the single undertaking with virtually all linked negotiations ending by 1 January, 2005; it envisages more robust rules and specific commitments on government support in correcting and preventing distortions in world agricultural markets.

The Doha Declaration on agriculture needs to be critically re-evaluated. It states:

> “We recognize the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of total of 121 members. We recall the long term objective referred to in the Agreement to establish a fair and market-oriented trading system through programme 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. We reconfirm our commitment to this programme. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at : substantial improvements in market access; reductions in trade-distorting domestic support. We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development. We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.”

The Declaration makes explicit the need to “establish a fair and market-oriented trading system” through “fundamental reform” through “strengthened rules and specific commitments on support and protection” to “ prevent restrictions and distortions in world markets.” Hence, the principles established under the UR should be bolstered. Moreover, “comprehensive negotiations” should be carefully pursued and implemented.

The sharply differing bargaining power of developed and developing countries inhibits reassessment of the Declaration. But it is essential for African nations to devise strategies to safeguard their interests under the Declaration. In particular they need to firmly pursue implementation of laudable goals of special and differential treatment for developing countries and make it an “integral part” of the negotiations. The fundamental question is how to make such goals “operationally effective” to fulfil “development needs.”

There is commitment towards “non-trade” concerns. But the ingredients of this are unclear. This demands widening the vision on structural change in and through agriculture. This has to be supported by interlocking measures to reduce supply and infrastructural obstacles.

The Post Doha concerns, moreover, pose critical challenges for participation of African countries in the world economy and globalization. The latter marks the emergence of a new phase of development in the context of shifts and changes in post colonial development thinking and development strategies: from an era of the ‘Golden Age’ [1950’s and 1960’s] to ‘Debt Led’ growth [1970’s] and ‘lost decade’ [1980’s], and subsequently to liberalization and globalization [1990’s and beyond]. The last phase shows a shift in emphasis from state to market led forces in shaping domestic and international policies.[5] Hence, the U. N. Secretary General’s recent report rightly emphasises that ‘globalization and its impact on development will be a central issue in the years to come and that the UN should help developing countries to take advantage of globalization especially in trade and investment while minimizing costs.’[6] Undoubtedly, agricultural negotiations can be instrumental in paving this process.

Against this backdrop the major issues are analysed: [i.] GATT, WTO and Agricultural Negotiations; [ii]. Market Access, Tariffs and Non-Tariff Barriers; [iii]. Domestic Support Measures and Export Subsidies; [iv]. Special and Differential Treatment; [v]. Non-Trade Concerns in Agriculture.

[I] GATT, WTO and Agricultural Negotiations

Since 1999 negotiations have been taking place in the WTO as a follow up of the agricultural agreement of the UR. The main issues have been ‘trade liberalization’ and ‘multifunctionality’ and the main antagonists have been the US and the European Union. The US has taken the lead in championing liberalization-focussed on eliminating all trade distortions- with a competitive farm sector developing in a free market. The European Union (EU) accepts this argument but upholds its right to give targeted subsidies to agriculture to protect the environment, animal welfare and rural societies. Both the US and the EU strongly believe that liberalization is favourable for developing countries as it would open western markets for farm exports from these countries. However, developing countries remain sceptical about agricultural negotiations in the WTO. [7]

The pursuit of agricultural negotiations is intertwined with the principles of GATT and the WTO.

First, GATT [1947] laid down the basic principles of international trade. It aimed to reverse the move towards protectionism in the 1930’s through i. establishing the framework of trade relations ii. the context for progressively eliminating trade barriers iii. providing a set of rules –code of conduct –to inhibit countries from taking unilateral action. It was governed by the

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5 Singer, H.W and Roy, S, Economic Progress and Prospects in the Third World: Lessons of Development Experience Since 1945, Edward Elgar, UK and USA, 1993.

6 U.N. General Assembly, Strengthening of the United Nations: An Agenda For Further Change, Report of the Secretary General, 9 September, 2002.

7 Koning, N, ‘Agricultural negotiations in the WTO: history, backgrounds and implications’, Department of Social Sciences, Wageningen University, Netherlands, March 2002.

principles of non-discrimination and reciprocity and several 'Rounds" from 1947 onwards tried to establish a liberal trading order.

The Agreement on Agriculture [AoA] under the UR [1986] incorporated agricultural trade. The goal was to improve predictability and stability for importing and exporting countries. This was to be done through concessions and commitments by members on major concerns: market access, domestic support and export subsidies, and special concern for developing countries. The AoA incorporated the GATT Schedules of legal commitments in relation to individual countries: Table A [Appendix]. First, the 'tariffication' process required tariffs on agricultural protection to be reduced by an average of 36% in the case of developed countries and 24% in the case of developing countries with LDCs not being required to reduce their tariffs. Second, members were required to reduce the value of export subsidies over the implementation period and the quantity of subsidized exports by 21% over the same period; in the case of developing countries the reduction was to be two thirds of those of developed countries over a 10 year period with no reductions applying to the LDCs.

Second, the birth of the WTO [1995] embraced the UR. The critical role of agriculture was emphasised. The Post Doha [2001] agenda incorporated agriculture under the "implementation" issues. However, there was intense dissatisfaction among developing countries, and in particular African ones, over the failure of the developed countries to implement their commitments: reduction of tariff barriers to African exports, binding commitments on curbing agricultural subsidies, and on food aid, grants and technical assistance. The Doha Declaration, as mentioned earlier, embraced agriculture as a single undertaking with virtually all the linked negotiations ending by 1 January 2005. The long term objective agreed in the WTO were re-confirmed: to establish a fairer and market oriented trading system. Negotiators need to carefully interpret the explicit and implicit concerns of the Doha Declaration and how it impinges on the key issues. This has major implications for the strategic stances to be pursued in forthcoming negotiations.

Third, it is essential for African negotiators to grasp more fully the time schedule of the negotiations and the positions of developing and developing countries. The negotiations on agriculture can be divided into two Phases: Phase 1 [23-24 March 2000 to 26-27 March 2001] and Phase 2 [26-27 March 2001 to 4-7 February 2002]. The end of Phase 2 has ushered in the next task: to produce numerical targets, formulas, and the modalities for countries' commitments by 31 March 2003. The Work Programme involves seven meetings for achieving this by the deadline which was agreed on 26 March 2002 and for countries to submit comprehensive draft commitments by the 5th Ministerial Conference.[8] The discussions in Phase 2 were more complex than those in Phase 1. A wide range of views were expressed. Subsequent phases will be much more difficult. This is because of problems of narrowing the gaps between positions and reaching a final agreement requiring tough political compromises. The negotiations so far have posed the following key concerns which African negotiators should confront:

[a] The debate on how to treat developing countries in the negotiations is underscored by controversy over whether developing countries should be given special protection or whether liberalization with some flexibility should be implemented.

8 WTO, WTO Agricultural Negotiations. The Issues Where We Are Now. Geneva, 10 October 2002.

[b] Developing countries have submitted proposals that would lead to clearly separate rules for developed and developing countries. Some proposals are jointly sponsored. The one with the most sponsors come from the African Group.

[c] Developing countries are active in agricultural negotiations and several groups have put their names to negotiating proposals. These mirror a diverse range of interests in the debate and the distinctions are not always clear. For example, the Cairns Group, which favours much greater liberalization in agricultural trade is an alliance that cuts across the developed-developing country boundaries; 14 out of its 17 members are developing countries.

[d] Developing countries have argued that WTO negotiations should be more flexible to enable them to support and protect their agricultural and rural development. This should take into account the livelihoods of their large and diverse agrarian populations. Some developing countries argue that richer countries spend large amounts on subsidizing agriculture with adverse effects on poor countries.

[e] Some developing countries are deeply concerned about the loss of their preferential access to developed country markets. This may be a transition phase and calls for binding commitments on technical and financial assistance to help them adapt to liberalization.

It is also important to reiterate that under the Lome agreements African countries were allowed preferential access into European markets. Some African countries benefited but it failed to bring about structural change in their countries. The new ACP-EU arrangement under the Cotonou Agreement [2000] marks a major shift in this relationship. African countries have to comply with WTO trade disciplines including the pursuit of reciprocal arrangements and opening up their markets to European imports. Such arrangements need to be dovetailed into ongoing WTO negotiations on agriculture. [9]

The conclusion of the chairperson, Stuart Harbinson, at the formal meeting [20 July 2002] encapsulates the future challenges facing African negotiators:

> " The two days of negotiations in the special session and the two days of inter-sessional informal consultations were very useful in bringing forward a number of specific suggestions for possible modalities and in improving the understanding of different members' positions. It was encouraging to see all participants working in a focussed business like and interactive way." But it was stated that "however, much more work needs to be done. Although specific suggestions were forthcoming from some participants, others were more reserved in detailing their own ideas or in reacting to those put forward, the configuration varying to some extent from one issue to another. Overall a greater degree of concrete and interactive engagement will be required if we are to develop a sound basis for an overview paper in December."[10]

[9] Roy, S, A Comparison of ACP-EU Negotiating Mandates, ECA, paper presented at the Regional Conference on ACP-EU Trade Negotiations: COMESA/SADC Preparations for EPAS Negotiations', Harare, Zimbabwe, 12-13 September, 2002; Oyejide, A and Njinkeu, D, African Preparations for Trade Negotiations in the Context of the ACP-EU Cotonou Partnership Agreement', AERC, paper presented for 4th Ordinary Session of the Conference of Ministers of Trade at the OAU/AEC, Nigeria, 19-23 September, 2001.

[10] WTO, Agricultural Negotiations; The Issues And Where We Are Now, page 40. Geneva, 10 October, 2002

WTO's 'Negotiations on Agriculture. Overview' tries to highlight the uphill task faced by African negotiators in persuading developed countries to implement their commitments under the UR. [11]But the challenge has to be faced. Wide gaps remain among participants regarding fundamental aspects of further reform. Participants have stressed their commitment to the Doha Mandate, including its timetable, and still significant differences remain in the interpretation of the level of ambition implied in Para 13 of the Ministerial declaration. Participants have submitted fully fledged position on modalities for further commitments in areas of market access, export competition, and domestic support. Opponents of these proposals have not yet specified their counter proposals and corresponding level of quantitative detail to move the process forward. There are differences in views even among developing countries on appropriate provisions for Special and Differential Treatment although there is significant support for exclusion of Least Developed Countries from reduction commitments. There are also different views on the extent and the ways to take into account Non Trade Concerns-raised in the negotiations-food security, livelihoods, poverty alleviation, rural development, and food supply. Several developing countries have emphasised that their Non Trade Concerns are of a fundamentally different dimension than those of developed countries. It is critical to reiterate that the time remaining for the establishment of modalities is severely limited with wide gaps in the positions of the participants. Above all, participants need to move beyond the re-statement of well known national positions. In this frame it is essential to confront the major concerns including on market access covering (a) the formulation and quantitative targets for further tariff reductions to be applied (b) the evaluation of the harmonization formula for tariff reductions and the UR formula (c) assessment of the expansion of import volumes under existing tariff quotas as a key ingredient of further market access commitments (c) making preferential schemes a binding commitment and (d) evaluation of the specific modalities which can phase out budgetary outlays and quantity commitments in relation to export subsidies, export credits, and exporting State Trading Enterprises.

[ii] Market Access, Tariffs and Non-Tariff Barriers

This section looks, first, at the major barriers to market access, and, second, evaluates the modalities for reducing them to ease market access into developed countries for African exports. It is essential to link market access to supply capacity and uncover the key mechanisms to bring about in terms of the needs of both net food exporting and food importing countries in the process of transition to liberalization and globalization.

Understanding market access demands reviewing i. the nature and structure of tariff and Non Tariff Barriers [NTB] ii. the ways in which they inhibit African exports iii. the nature of 'Safeguard' measures to cushion against sudden import surges and iv. 'modalities' or instruments to reduce tariff and NTB in developed countries.

[11] WTO, Negotiations on Agriculture. Overview. TN/AG/6, 18 December 2002.

Analysis of market access requires analysis of tariff peaks, tariff escalation, binding of tariffs, Non Tariff Barriers, including product standards, anti-dumping measures, and Safeguard measures:

Tariff Peaks

Tariffs are taxes on imports of products. They increase the price of imported goods on the domestic market and hence protect domestic producers of the same or similar goods from foreign competition. Tariff peaks are a major problem facing developing African countries.
Tariff peaks occur in the following sub-sectors: i. major agricultural staple food products ii. fruits, vegetables, fish, etc iii. the food industry iv. Textiles and clothing v. footwear, leather and travel goods v. Transport equipment, automobiles, and high tech goods-TV, video, consumer electronics, and watches. In this respect, African countries, including the least developed ones, have potential interest in the export of these products, particularly in processed agricultural products, textiles, and clothing, as well as leather, leather products and footwear. These face high tariff peaks. [12]

According to UNCTAD tariff peaks refer to rates above 12% ad valorem that can provide substantial effective protection to domestic products up to 50%. A substantial proportion of tariff peaks relates to specific tariffs or combined with ad valorem rates. Those peaks outside the tariff quotas exceed 30%. Specific rates rise when prices fall and fall when prices rise. Hence, lowered priced goods would be subjected to high rates while luxury goods could easily bear specific duties. Conversion of specific duties to ad valorem could be as high as 30-900%. Moreover, there is a lack of transparency in specific duties in developed countries.[13]

On agricultural products tariff peaks are 95% in EU; 85% in Japan and 98% in South Korea. while most of the tariff peaks on industrial products are in USA –57.4-63.4 %], in Canada [60.1-71.6], in Brazil [95%] and in China [82.3%]. These peak rates on industrial products mostly concentrate on leather, textiles and clothing. [14]

Tariff Escalation

Tariff escalation is a critical problem for African countries. Tariffs increase in stages of processing of products up to the final processing stages. Tariffs escalate in line with the level of processing: on semi-processed and processed products. This acts as a disincentive to investment aimed at adding value locally and discourages diversification. The processed food-sector is particularly affected by tariff escalation. Tariff escalation enables developed countries to protect their existing domestic production using raw materials from developing countries.

Table B [Appendix] shows the 2.1% tariff on raw materials entering developed countries rises to 5.4 % on semi-manufactures and 9.1% on finished products. The processed

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12 U.N.RCID, Market Access for African Countries under WTO, page 10-11, Briefing Paper Series, No.10, June 2001.

13 .U.N.RCID, Market Access for African Countries under WTO, page 10-11, Briefing Paper Series, No.10, June 2001.

14 U.N.RCID, Market Access for African Countries under WTO, page 10-11, Briefing Paper Series, No.10, June 2001.

manufactured food products-with potential for African exports- are subject in the EU and Japan to tariffs twice as high as products in the first stage of processing. This means that African countries face severe problems of diversification into agro-industrial products with duties on several of their exports..[15]

Tariff Bindings

Tariff bindings are a critical aspect of tariff structure. In the UR members agreed to "bind" their tariffs- they would not raise their tariffs above a certain fixed or bound level subject to negotiating compensation to other countries; the bound rates became the base rates from which reduction commitments were calculated; industrial countries bound most tariffs-including the over-quota tariffs of Tariff Rate Quotas [TRQ] regimes-at the 1986-88 average levels of tariffs actually applied to imports or 'applied' tariffs.

Many developing countries set their bound rates at levels well beyond their applied rates. A buffer zone was created to enable countries to raise their tariffs while remaining within the tariff reduction commitments. Under the AoA countries committed to reduce their simple [unweighted] bound average tariff by 36% [24% for developing countries] with a minimum cut of 15% [10% for developing countries] for each individual tariff line.

Non Tariff Barriers

Non Tariff Barriers [NTB] are a more significant obstacle to developing country exports than tariffs. NTB include quantitative restrictions such as import quotas, seasonal import restrictions, rules of origin and a wide range of product standard. NTB can be just as effective as tariffs in restricting exports from developing countries and are less transparent. NTB are notoriously difficult to measure and interpret. Hundreds of NTB have been identified. These differ significantly in relation to their trade restrictiveness. A distinction is often made between "hard core" NTB and "other NTB." Hard Core NTB include export price restraint, variable charges, anti-dumping and countervailing measures, non-automatic licensing, export restraints and other quantitative restrictions. Consumer boycotts can also serve as effective unofficial non-tariff barriers with devastating impact on African exports

Hence, it is critical to identify, expose and reduce the legitimate and non-legitimate NTB which explicitly or implicitly block the agricultural exports of African countries. This may stem from factors including inability to comply with required conditions and standards and lack of transparency-making it essential to provide technical and non technical support to African countries.

The true level of protection given to European industry rises from 5.1% if tariffs alone are included to 9% if both tariff and non-tariff barriers are taken into account. Moreover, NTB have become very discriminative with the development of Free Trade. Most of the NTB have been imposed in the EU market while in the USA, though high, have been imposed on textiles and clothing. When products are disaggregated food items are the most affected. eg. 23.4% of food items are covered by NTB compared to only 5.6% in manufactures. This could be serious because the tariff equivalence of NTB under the WTO in EU and Japan will rise

[15] U.N.RCID, Market Access for African Countries under WTO, page 10-11, Briefing Paper Series, No.10, June 2001.

between 50-200% to create tariff walls against exports of food items from African countries.[16]

The AoA under the UR abolished all prior non-tariff measures restructuring agricultural trade but allowed members to convert these restrictions into tariff rate quotas. This set the minimum access, the quantity allowed to be imported at the lower tariff, at 3% of consumption in 1986-88 in the base period, to be increased to 5% of base consumption by 2000 [2004 for developing countries].

NTB act as barriers to developing country exports African countries are unable to meet stringent sanitary and phytosanitary and technical standards affecting meat and meat products, dairy products and unprocessed and processed fruits and vegetables. Most of Sub-Saharan Africa excluding South Africa have not conformed to the standards. Technical assistance to African countries and specially least developed countries should be concretized and made operational to overcome this obstacle. Product standards, too, can create problems for African countries..

Legislation that governs product standards cover issues ranging from packaging requirements to processing standards. Furthermore, the costs of complying with legislative requirements imposes heavy costs and can be as high as 10% of the overall cost of the product.

Anti-Dumping

Anti-dumping is an unfair trade practice. It centres on exporting products at abnormally low prices. Action against dumping can only follow after an investigation has been held. After determining whether there is material injury or threat of material injury to its domestic industry or material retardation of the establishment of a domestic industry [collectively called injury].

Sub-Saharan African countries-with the exception of South Africa-do not have the capacity to practice dumping. African countries may use anti-dumping and countervailing measures-as only 2 cases out of 1,300 in anti-dumping-and one case out of 460-in countervailing measures were applied to African countries in the 1980's. Moreover, African countries could not apply these measures as provided under the WTO Agreement to counteract anti-dumping in their own domestic markets. They are unable to take action as the procedures for justification and proof for 'material injuries' are very sophisticated, complex and expensive.

Safeguard Measures

Safeguard measures are contingency restrictions on imports taken temporarily to deal with special circumstances such as sudden surges in imports. The Special Safeguard provisions for agriculture differs from normal safeguards. Higher safeguard duties can be triggered automatically when import volumes rise above a certain level or if prices fall below a certain level. It is also not necessary to demonstrate that serious injury has been caused to the developing country. In practice, the special agricultural safeguard has been used in relatively few cases. African countries face the problem of how to prevent specification of factors and

[16] U.N.RCID, Market Access for African Countries under WTO, page 22, Briefing Paper Series, No.10, June 2001.

elaborated justification to prove that there is “serious injury” that threatens their domestic production.

Modalities for Reducing Tariff and Non Tariff Barriers

Modalities for reducing tariff and NTB need to be carefully evaluated. Basically tariff negotiations have adopted two broad approaches to tariff reform-Formula and Sectoral thrusts- the Formula approach defines some general rule that applies to all tariffs eg. reduce all tariffs by 10% while sectoral approaches have been conducted as either bilateral or multilateral negotiations. One bilateral approach is exemplified by the Request and Offer system : countries drawing up lists of the tariffs they want other countries to reduce and the tariffs they are willing to reduce. A further approach is to solve sectoral problems through commodity or commodity groups on a multilateral basis. The sectoral approach can be more effective than the Formula approach in achieving greater market access- for specific commodities-but can leave protection in place for the least competitive industries. It can create cross commodity distortions and may be unable to achieve deep enough cuts in the very high tariffs that abound in industrial countries tariff schedules.

It is essential to link market access to the most effective and relevant modalities-embodied in the Request and Offer and the Formula approaches-to reduce tariffs and NTB focussing on fulfilling [a] reduction of overall tariffs and [b] the mean tariff and [c] the dispersion of tariffs.

Under the Formula approach-introduced during the Kennedy Round due to the poor results yielded by the Request and Offer approach in reducing tariffs- there are two types- for targeting the level and the dispersion of tariffs-linear reductions and harmonization. A linear reduction formula reduces the average tariff rate by reducing all tariffs proportionately. eg. a country with a uniform tariff has a zero tariff dispersion and with a linear reduction of 10% would reduce its average tariff by 10% and its tariff dispersion would remain unaffected as the tariffs are already uniform. In the Tokyo Round the “Swiss Formula” was used and it achieved a 30% reduction in average tariff rates. The classic Swiss Formula applied in the Tokyo Round has highly positive features. This includes its scope of introducing a maximum tariff rate and to bring about a maximum tariff rate and larger reductions in the highest tariff rates. But a number of countries had reservations on the use of the classic “Swiss formula” because it was too restrictive. This is because of the large differences in initial tariff rates and the presence of binding overhang in many countries

In terms of the choice of the most effective formula-to achieve greater market access from a global perspective - a linear formula may be sufficient when tariff dispersion is low. With high tariff dispersion-as is currently the case- some harmonization element is required if the very high tariffs are to be effectively restrained. For individual countries the effects of tariff reduction formula will depend on their own tariff profile. The structure of industrial country tariffs suggests that an effective tariff reduction strategy should address both the mean and the dispersion of tariffs

Above all, the right formula can enable a formula approach to increase the scope of success relative to options involving more discretion in ensuring protection in individual sectors. This has led to the proposal of using a “Flexible Swiss Formula” to enable the same average tariff cut to be achieved with somewhat smaller reductions in peak tariffs focussing on achieving agreed reductions in average tariffs. This demands initially applying a standard Swiss

Formula unique to each WTO member and then determining a Swiss Formula coefficient for each country to yield the agreed reduction in the average tariff.

African negotiators have to evaluate at least two highly desirable objectives for market access commitment modalities: [a] they should reduce barriers in all countries to ensure a balanced exchange of concessions and [b] they should reduce relatively high barriers by more than lower barriers-both to increase the size of the market access concessions exchanged and to increase the economic benefits in importing countries.

[iii] Domestic Support Measures and Export Subsidies

The Background

The use of domestic support measures and export subsidies by developed countries has critical implications for African countries. These can bring about trade distortions and in turn artificially lower the prices of their products in the world markets. Hence, they seriously damage the prospects of African exports. Domestic support commitments are expressed in terms of Total Aggregate Measurement of Support [Total AMS] and "Annual and Final Bound Commitment Levels." Domestic support covers the nature, magnitude and level of support agriculture with special reference to the use of permissible and non-permissible subsidies and the conditions under which these are allowed. In the AoA these are clustered under three key "boxes'-the "Green Box", the "Amber Box" and the "Blue Box." WTO member governments have the right to provide support to their respective farmers provided these support programmes will not unduly distort agricultural trade. Flexibility in the maintenance of domestic support is essential because of the dominance of the agricultural sector in the long-term economic development strategy of developing countries.

Domestic and export subsidies are alleged to be the root cause of trade distortions artificially lowering the prices of developed country food products in the world markets and seriously curbing the competitiveness of African exports. This demands a critical analysis of the nature, magnitude and level of developed country support and its impact on African agricultural exports with special reference to the use of permissible and non-permissible subsidies and the conditions under which these are allowed.

DOMESTIC SUPPORT

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Domestic subsidies have been instrumental in stimulating agricultural production for developed, and especially European farmers, with adverse implications for the scope of African countries competing in the markets of developed countries. Such subsidies are centred on permissible and non-permissible subsidies based on 'boxes' which define their legitimacy with sharply differing views among developed and developing countries on their use and misuse.

In WTO language subsidies in general are identified by "boxes" which are given the colours of traffic lights: green [permitted], amber [slow down. ie be reduced], red [forbidden]. In agriculture matters are more complicated. The Agriculture Agreement has no Red Box although domestic support exceeding the reduction commitment levels in the amber box is prohibited; and there is a blue box for subsidies that are tied to programmes that limit production. There are also exemptions for developing countries [sometimes called "S and D box"]. It is critical to review the nature and use of the 'Boxed" by developed countries and developing countries.

The Amber Box

- In agriculture all domestic support measures considered to distort production and trade [with some exceptions] fall into this box. The total value of these measures must be reduced. Various proposals deal with how much further these subsidies should be reduced and whether limits should be set for specific products rather than having overall "aggregate" limits;

- In this context the unfinished business is the level of cuts to be effected. Developing countries are seeking flexibility in the provision of certain subsidies and especially in food security and rural development.

It is essential to define the reduction modalities and the need to agree on the levels of the cuts to be implemented. Moreover, developing countries' proposals on further reform on the Amber Box sought flexibility in the provision of certain subsidies especially those meant to advance food security and rural development. This is still an outstanding issue and needs to be placed in the context of the development agenda. Some subsidies to be provided under non-trade concerns fall under the Amber Box.

For agriculture all domestic support –distorting production and trade [with some exceptions] - fall into this box. The total value of these measures must be reduced. Various proposals deal with how much further these subsidies should be cut setting limits on specific products rather than having overall "aggregate"limits.

The Green Box

- In order to qualify for this box a subsidy must not distort trade or at most cause minimal distortion. These subsidies have to be government-funded-not by charging higher prices-and must not involve price support. They tend to be programmes that are not directed at particular products, and include direct income supports for farmers that are not related to –or are "decoupled" from- current production levels or prices;

- Subsidies under this box are therefore allowed without limits provided they comply with relevant criteria. They also include environmental protection and regional development programmes. A proposal for setting limits on all "boxes" combined has been proposed by Canada-this would imply limits on green box subsidies as well;

- Developing countries have been urging developed countries to exercise restraint on domestic support under this box and in turn that developing countries should be allowed to provide investment subsidies and support to encourage farmers beyond the expiry of the Peace Clause [2003];

- Some countries say they would like to review the domestic subsidies listed in the Green Box because they believe that some of these in certain situations could have an influence on production or prices. Others argue that the Green Box should not be changed as it is satisfactory. Another view is that the Green Box should be expanded to cover additional types of subsidies;

- Both the EU and the US continue to export large volumes of farm produce below their own cost of production, and bridge the difference with Green/Blue Box payments, avoiding restrictions of production to which reductions in export subsidies would otherwise compel them;

- The capping of domestic support provided under the Green Box was not settled under the UR. The controversy arising from the Green Box support between farmers in developed and developing countries has led to developing countries being very vociferous about the need to put ceilings on Green Box support. Developing countries will need much persuasion to force developed countries to accept their argument. There has also been a tendency by beneficiaries of the Blue Box to amend their domestic legislation so as to legitimately furnish Blue Box support under the Green Box. This has led to the need for tightening support criteria under the Green Box.

The Blue Box

- This box is an exemption from the general rule that all subsidies linked to production must be reduced or kept within defined minimal levels. It covers payment directly linked to acreage or animal numbers but under such schemes which also limit production by imposing production quotas or requiring farmers to set aside part of their land;

- Countries using these subsidies- and there are only a few-say they distort trade less than alternative amber box subsidies. Currently the only members notifying the WTO that they are using or have used the blue box are the EU, Iceland, Norway, Japan, the Slovak Republic, Slovenia, and the US [now no longer using the box];

- Currently, the blue box is a permanent provision of the agreement. Some countries want it scrapped because the payments are only partly de-coupled from production or they are proposing commitments to reduce the use of these subsidies. The Blue Box is also an important tool for supporting and reforming agriculture and for achieving certain “non-trade” goals. It should not be restricted as it distorts trade less than other types of support;

- The EU has stated that it is prepared to negotiate additional reductions in Amber Box support as long as the concept of the blue and green boxes are maintained;

- The general view of the majority of members of this box is that it should be eliminated as it is a special and differential treatment for only a few members: US, EU and Norway. However, it is envisaged that the negotiations of its elimination will not be an easy task as Doha only mandated the substantial reduction of domestic support and the strengthening of rules on the “three pillars” so as to make them operationally effective;

- The need to eliminate domestic support policy distortions in developed countries that have negative effects in agriculture-subsidy schemes in OECD countries need to be substantially reduced. There should also be exemption of all LDCs from undertaking commitments on domestic support and export subsidy plus pursuit of agricultural growth through technology, research, marketing and fair remuneration of agricultural production by small farmers.

Countries are protected from being challenged under WTO agreements in the use of subsidies. This is due to the Peace Clause under Article 13 of the AoA. Without this clause countries would have greater freedom to take action against each others subsidies under the Subsidies and Countervailing Measures. However, the Peace Clause is due to expire in 2003.It is alleged that developed countries have misused this clause. On the other hand developing countries favour extension of the clause to enable them to continue use of subsidies.

There is an urgent need to establish a link between the theory and the use of the 'boxes' by developed and developing countries defining permissible and non-permissible subsidies and the role of the "peace clause' to embrace compliance by users with the WTO stipulations.

African countries could boost their supply capacity through the use of subsidies and hence longer term international competitiveness. However, they do not have the financial capacity to subsidize their domestic production and exports. In this respect, it should be recognized that any existing domestic production support, including protective tariffs, have been eliminated and or reduced to a minimum under the structural adjustment programmes policies imposed by the IMF and the World Bank.

EXPORT SUBSIDIES

Export subsidies distort trade and weaken commitments on market access. They have significant effects on trade in some market and create increased competition that strains trade relationships.[17] Export subsidy reforms can have significant indirect effects because they help to set the stage for reforms in other areas.

Identification, measurement, and curbing of export subsidies by developed countries is of paramount importance in reducing the subsidies and the burden on African countries and to enable them to compete on a more equal basis in the global agricultural markets.

First, constraints on export subsidies that are used to help dispose of surplus production can create pressures to restructure domestic subsidies in ways which are less distorting of production and trade. This is because their reduction or elimination may encourage some countries to lower their import barriers.

Second, in terms of export subsidies and competition some countries have proposed that the total elimination of all forms of export subsidies- in some cases with a deep reduction at the beginning of the next period as a "downpayment." Others are willing to negotiate further progressive reductions without going so far as the subsidies' complete elimination, and without any "down payment."

Third, from a global perspective agricultural export subsidies have smaller impacts than tariffs or domestic subsidies: accounting for 13% of world agricultural price distortions due to farm support policies. Export subsidies are nevertheless an important pillar of the reforms. Many

[17] WTO Agricultural Negotiations. The Issues and Where We Are Now. Geneva, 10 October, 2002, page 14-16.

countries' tariffs and domestic support policies contribute to distorted global markets. However, the global effects of export subsidies are mostly attributable to one region-the EU.

Fourth, many developing countries have argued that their domestic producers are handicapped if they have to face imports whose prices are depressed because of export subsidies or if they face greater competition in their export markets for the same reason. This group includes countries which are not net food importers. They, too, require support to adjust if world prices rise as a result of the negotiations. Moreover, many countries would like to extend and improve the rules for preventing governments circumventing their commitments on export subsidies – including the state trading enterprises, food aid and subsidized export credits.

Fifth, developing countries have proposed that there should be additional flexibility for developing countries to allow subsidies on some products to increase when subsidies in other products are reduced. They complain that the rules are unequal. Their major objection is to the developed countries being allowed to continue to spend large amounts on export subsidies while they are unable to do so. This stems from a lack of funds and because only those countries that originally subsidized exports were allowed to continue subsidizing-albeit at reduced levels.

Sixthly, a number of importing countries-exemplified by Japan- state that their food supplies could be disrupted if exporting countries restrict or tax exports. They propose disciplines on export restrictions –for example- converting them to taxes that would then be reduced [similar to "tariffication" of import restrictions].

Finally, therefore, African negotiators on agriculture should firmly pursue the ways in which [a] domestic support measures are being misused by developed countries while stressing that they should be allowed greater licence in their use and [b] the nature and magnitude of the levels of export subsidies of developed countries and the need to reduce the adverse effects by cutting back on measures such as export credit, export credit guarantees and insurance programmes and [c] greater flexibility in the use of export subsidies to boost African exports.

[iv] Special and Differential Treatment

This focuses on the provision under the Uruguay Round and WTO Agreements to establish a level playing field in the multilateral trading system through provision of exemptions and/or longer time periods for developing countries and especially LDCs. The need for special treatment of developing countries was underlined by the Marrakech Declaration. It emphasised the ways in which the key features of S and DT could be enhanced in the negotiations encompassing i. the special provisions to help developing countries cope with the process of liberalization in and through agriculture, ii. special measures to enable LDCs to support food import bills in anticipation of future price increases iii. enhanced "Green Box" provision for developing countries and iv. the role of international institutions in facilitating such support.[18]

[18] U.N.ECA, Africa and the WTO. The Challenges of the Negotiations on Trade in Agricultural Products; A Informal Meeting of Agricultural Experts of Interested Agencies and Academic Institutions on 'Analytical Needs and Technical Assistance Requirements of Developing Countries in the Context of the WTO Negotiations on Agriculture', organized by the FAO, Rome, Italy, 12-13 May 2000, page 8; U.N.RCID, Emerging Trends in the

Hence, special support for developing countries encompasses ensuring that in the process of transition to liberalization of agricultural markets the special needs of net food importing African countries is taken into account to meet not only immediate but also longer term access to food among the poor.

The instruments available under the AoA are generally only appropriate to developed countries. The agreement is weak and weighted in favour of richer WTO members. Developing countries should be allowed to re-establish and modify the tariff levels-to overcome negative effects of cheaper agricultural imports on domestic production. Current S and DT provisions basically only provide thresholds and longer time frames. These are insufficient and inadequate in addressing the needs of poor farmers. The legal exemptions, too, provided to developing countries under the AoA are of limited practical use. The policies are constrained by financial, technical and human resources implicit in developing countries. The existing AoA also discriminates against those who are not previously provided trade distorting subsidies.

The S and DT has been underpinned by the search for measures to ensure that developing specific and urgent needs are accommodated. This should be firmly supported in the longer term by action to ensure the creation of the socio-economic infrastructure to boost supply capacity in Africa. Such major ambitions have been emphasised through important declarations-exemplified by the Marrakesh Declaration and has been backed by leading international aid and financial institutions: the IMF, the World Bank and the FAO. A major concern has been over food security. This demands exploring the major linkages between capacity to be self sufficient in food, export food, and import food.

Hence, African agricultural negotiators should ensure that there is focus on the following key features of S and DT:

- Special provision to help developing countries to cope with the process of liberalization in and through agriculture –exemptions, special support and measures to increase supply capacity;

- Specific measures to enable LDCs to support food import bill in anticipation of future price increases, modalities for reporting, monitoring and evaluating impact of reform programmes on LDCs;
- SDT should enable developing countries to address legitimate and varied needs in the area of agriculture and rural development, food security, and subsistence and small scale farming for development of domestic food production;

- Enhanced "Green Box" provisions for developing countries-to address specific issues-food security, development and poverty elimination;

- The implementation of the Marrakech Declaration on the special provision for NFIDC.

Negotiations under WTO:Pertinent Issues of Concern to African Countries, Briefing Paper Series, No.8, February 2001, page 31.

- Technical and financial assistance stated under S and DT should be directed to developing countries on a case by case basis to assist developing countries to improve domestic agricultural production, infrastructure, and market capacities in these countries.

[v] Non Trade Concerns in Agriculture

This unfolds the critical need to provide integrated support in building food security, rural development and poverty reduction and the implications for sustainable development in the context of the multifunctional role of agriculture. Special emphasis is placed on food security defined by access to food at different levels-regional, sub-regional, country, and socio-economic group, including sharply differing land tenures, productivity, cropping patterns and marketing. In this frame, the use of a 'Development Box' is a key modality to resolve the most pressing needs of hunger and poverty for insecure, low income countries and regions while ensuring fuller integration of the poorest of the poor into the existing trading system.

Basically, support for non-trade concerns of African countries focuses on ensuring that access to food and food security is closely integrated with poverty reduction, rural development and environmental norms within a holistic multifunctional frame of agricultural development grounded in strong supply capacity of agriculture.- supported by financial and technical support within a 'Development Box" encapsulating these concerns.

Food security has occupied major focus. There is anxiety over the net gains and losses, in the short-medium term, of net food importers vs net food exporters and ways in which they can be protected and/or compensated in the transition to liberalization and globalization. This is based on access to food at different levels-regional, sub-regional, country, and socio-economic group-under sharply differing land tenures, socio-economic class structures, productivity and cropping patterns, and marketing. Hence, 'food security' is not a homogenous concept but is intrinsically linked to a developing country's existing resource endowments [land, labour and capital] and the role of the state and the market in organizing production. Useful insights and lessons emerge on comparative experiences of food production in Asia and Africa. [19]Thus, socio-economic, technical, and financial aspects impinge on food security and need to be integrated with both the immediate and the long run goals. Guiding the goals of food security of the WTO may be helped through the broad definition of the World Food Summit:

> "food security exists, when all people, at all times, have physical and economic access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life." [20]

It is imperative that the ongoing WTO negotiations on agriculture explicitly define a new package of provisions aimed at such goals- emphasising the needs of the most

[19] Roy, S, Agriculture and Technology in Developing Countries: India and Nigeria, Sage Publications, Delhi, Newbury Park, London, 1990.

[20] FAO, World Food Summit.Plan of Action.1996, page 3.

disadvantageous economies and people. Useful insights also emerge from studies on food security in Egypt. [21].

The Development Box could embrace the most pressing needs of hunger and poverty for insecure, low income countries and regions while ensuring fuller integration of the poorest of the poor into the existing trading system. It is therefore critical to identify the major possible actors as the well as the financing and implementation mechanisms to implement this concept. A 'rule based DB' that is complementary to trade liberalization is required in the long run. This calls for a more precise definition of the WTO concept of 'food security' which has to be distinguished from 'food self sufficiency.' The Development Box should, therefore, be evolved as a key modality to fulfil the most pressing needs of hunger and poverty. However, identification of the major possible actors as well as the financing and implementation mechanisms for available DB is a major challenge. [22]

IV. THE REALITY OF MARKET ACCESS, DOMESTIC SUPPORT MEASURES AND EXPORT SUBSIDIES

The core findings capture the gaps between the theory and the reality of agricultural negotiations reveal the gaps between the "commitments" and the actual practice. [23]This has critical implications for the nature of the negotiations which confront Post Doha negotiators and the strategies to be pursued by the latter.

First, agriculture has been treated differently in trade rules from the start of the GATT; non-tariff barriers were allowed under certain defined circumstances; export subsidies were tolerated for agricultural products though not for manufactures; domestic subsidies were not subject to effective disciplines, and health and safety regulations were often based more on the protection of incomes rather than on protection of health. Hence, the commitments of the UR need to be implemented.

Second, failures in the agricultural sector have come from the inherent conflicts between those countries that see open markets as a solution to problems facing domestic agriculture and those that see such markets as a threat to the desired development of the sector.

Third, the impact of the UR has been limited in agricultural sectors that are highly subsidized-eg. meat, milk, and sugar.

Specific findings illustrate the gulf between the commitments and the practice by developed countries:

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[21] U.N.Economic and Social Commission for Western Africa [ESCWA] and the World Bank, Agricultural Trade and the New Trade Agenda. Options and Strategies to Capture the Benefits for the Middle East. Case Study from Egypt, U.N, New York, 2001.

[22] Braun, J.V et al, "Development Box" and Special and Differential Treatment for food security of developing countries. Potentials, limitations and Implementation Issues, ZEF, Bonn, Centre for Development Research, University of Bonn, Discussion Paper No.47, May 2002; Oxford Management Institute, Development Box Proposals and their Potential Effect on Developing Countries.vol1. main Report, April 2002.

[23] This is based on diverse findings from various studies including Burfisher, M.E, Agricultural Policy Reform in the WTO-The Road Ahead. .Market and Trade Economics Division, Economics Research Service, U.S. Department of Agriculture, Agricultural Economics Report No.802, May 2001, and including papers by Skully, D.W, Wainio, J, Diao, X et al, and Young, C.E, in the volume.

- Tables C and D [Appendix A] capture the level of domestic supports in EU, Japan and US [1995-97], and the estimates of OECD support to agriculture [1986-88-2000], that developed countries and especially the EU have been the major culprits behind the trade distorting supports. Tables E and F [Appendix A] illustrate that the estimated welfare effects from elimination of global agricultural tariffs and subsidies and the effects on world prices of eliminating agricultural policy distortions that much progress could be made if trade disciplines were actually implemented.

- Market access conditions reveal that the average border protection to agricultural products in the OECD was higher in 1996 than in 1993. Post UR tariffs remain high on temperate-zone food products with tariff peaks common in major staples, fruits and vegetables, and processed foods in EU, Japanese and US markets. For example in the EU 26% of tariff lines in agriculture attracted duties above 20% while more than half of the tariff lines in certain product groups attracted duties of 20% and above; some examples are 60% of tariff lines in cereals, 54% of tariff lines in dairy products, and 53% of tariff lines in sugar, cocoa, etc while meat, live animals, prepared fruit and vegetables and other food products had more than one third of their tariff lines affected by tariff peaks. i.e. duties of 20% and above while some tariff lines attracted more than a 100%.

- Tariff escalation remains an effective way of protecting processed products from entering developed country markets due to there being no significant changes in the pre-UR situation and hence is not in tandem with the development aspirations of developing countries. In the realm of administration of TRQ there has been less transparency and shifts from applied tariffs, an approximate most favoured nation principle, to licences on demand, historical importers and combinations of various methods are noted resulting in low quota fill rate, and creation of bilateral trade arrangements jeopardizing the objectives of increased market access.

- Domestic support shows that on the notification to the WTO Committee on Agriculture revealed a substantial increase in exempted domestic support expenditure categories expenditure on green box measures; for EU and the US the expenditures on green box measures almost doubled the base year figures in 1995 and since then have maintained an upward trend. In most cases the non-exempt expenditures were substantially reduced from the base and have been declining further. However, the total domestic support has been increasing. The figures were higher than the base year figures in both EU and the US while Japan has been able to maintain figures lower than the base year figures over the years.

- Export subsidy shows that the trend in the aggregate subsidy was such that the EU's export subsidies on agricultural products though still within the commitment level is on an upward trend increasing from about ECU 6.9 billion in 1995 to about ECU 7.3 billion in 1998 while rice, sugar, milk products, beef meat, alcohol and 'incorporated products' were highly subsidized; the export subsidies on sugar have been worrying being not only greater than the commitment levels since 1995 but the budgetary outlays have also increased from about ECU 379 million in 1995 to about ECU 795 million in 1998 and similar trends were observable for 'other milk products'; the US export subsidies were limited to butter and milk products and as in the case of the EU the budgetary outlays are on an upward trend increasing from about $ US 26 million in 1995 to about S147 million in 1998.

- The levels of export subsidies and domestic support measures have risen significantly in developed countries. The producer subsidy equivalent level for OECD countries has risen from $ US 247 billion in the base period [1986-1998] to US $ 274 billion in 1998; in the USA subsidy levels have risen from US $ 41.4 billion in 1986-88 to US $ 50 billion in 1998. [source: ECA, Rome, Italy, 12-13 May 2000].

- "Dirty tarrification" has become a major issue of discussion in the negotiations on trade in agricultural products. In this respect, the use of the 1986/1988 base period shows a lack of sincerity and a lack of willingness on the part of the developed country members to liberalize the sector. By this act alone, and even with full implementation of the welfare effects from elimination of global agricultural tariffs and subsidies and the effects on world prices of eliminating agricultural policy distortions, that much progress could be made if trade disciplines were actually implemented.

The following key findings should be at the forefront of African negotiators:

Market Access

- Agricultural policy distortions impose substantial costs on the world economy with agricultural tariffs, domestic support, and export subsidies leaving world agricultural prices about 12% below levels otherwise expected;

- Tariffs in developed countries account for 38% of the tariff linked effects on world agricultural prices;

- TRQ have replaced many non trade barriers-often with procedures that are not transparent;

- EU alone accounts for 25% of the tariff-induced price effects-agricultural tariff in Japan plus Korea account for 23% and 12% respectively of the tariff linked price distortion.

Domestic Support

- A small number of countries cover most of the agricultural market distortions-developed countries account for nearly 80% of the distortions-EU accounts for 38% of world price distortions, Japan plus Korea for 12%, US for 16% and Canada for 2%;

- EU has high levels of distorting domestic agricultural subsidies-this plus EU's importance in world markets for its large role –56%-in causing the world price distortions due to domestic subsidies while US domestic programmes-accounting for 25% of the global price distortions caused by domestic subsidies.

Export Support

- Countries have different mixture of policies-EU accounts for over 90% of global export subsidy expenditures –these subsidies are integral part of its domestic price support system;

- Despite the relatively small aggregate price effects export subsidies play an important role in the reform process-tariff and domestic support policies of many countries contribute to distorted global markets-global effects of export subsidies are attributable to EU.

Policy Reforms

- The elimination of distortions would most benefit the developed countries- the global, static welfare gains from full policy reform [$ 28.5 billion] compared to the potential welfare gains from emerging and developing countries of about $ 2.6 billion; despite higher world prices, consumers in most countries would still benefit from the imported foods and the policy reforms in their economies- some food importing countries face static welfare losses from full trade liberalization because they do not have large initial policy distortions as they must pay higher food prices.

It should be recognized that the Agreement on Agriculture should emphasise the differences between food importing and food exporting countries, the need to link Special and Differential Treatment to supply and the 'Development Box', more forceful emphasis on the Green Box measures, the need to distinguish between the EU arguments and the arguments of developing countries on Non Trade Concerns and incorporating them into the 'Development Box.' Furthermore, it is argued, that there should not be just an attack on simple farm subsidies but demand for greater access to the markets of developed countries by enlarging tariff rate quota, and the demand for the end of dumping, including open dumping by export subsidies or disguised dumping by using Green Box subsidies, maintaining export subsidies below one's own cost when export subsidies are reduced, and above all, integrating Special and Differential Treatment, and the vital issue of supply and development, and the 'Development Box.'[24]

Critical investigative studies of the Agreement on Agriculture have reiterated the need to examine the commitments in relation to market access, domestic supply and export subsidies. It could be argued that the 'Three Pillar" approach might not be the most suitable framework. Moreover, it is essential to more fully explore the concept of the 'Development Box.' In this respect, most members agree that Special and Differential Treatment has a high priority in this context and should be an integral part of the negotiations. It should also be emphasised that African countries have been limited by pre-Uruguay Round liberalization. Thus, all African countries have reported "zero base" total AMS- as a result of a series of unilateral liberalization measures under Structural Adjustment Programme (SAP), reduction of tariffs, elimination of input subsidies and price control, etc, with most of the trade distorting subsidies having been either eliminated or brought down to minimum levels before the Marrakech Agreement. Also, the expenditure on Green Box policies among most African countries remains insignificant compared to other WTO members. No African countries-with the exception of South Africa-have reported any use of export subsidies. It should be recognized that the insufficiency of resources in African countries is intrinsically linked to the inability to benefit from the Agreement on Agriculture. The conclusion has been reached that most African countries have already undertaken tariff reduction, elimination of domestic support (input subsidies), and removal of price control, under SAP, the adaptation of the

[24].This is based on comments on the WTO Agreement on Agriculture by Koning, N, North-South Centre, Wageningen University and Research Centre, The Netherlands.

Agreement on Agriculture has resulted in some imbalances that may limit the future scope of African countries in fulfilling their food security and sustainable development policies, and major imbalances remain in terms of market access and the limited financial resources of African countries to support their agricultural sector. [25]

Hence, African negotiators need to carefully review the major modalities to implement the Agreement on Agriculture. This should embrace a critical scrutiny of the recent WTO draft of modalities for the further commitments on negotiations on agriculture. [26] The Chairman's draft took up many specific proposals by WTO members while maintaining an overall structure similar to that adopted in the Uruguay Round; principally, reform under the three pillars of market access, domestic support and export competition. All the target figures for new reduction commitments are termed "indicative" only and are clearly intended as a basis for negotiation. Marked divisions have emerged between members on the Chairman's draft with harsh criticisms from all sides. It was considered more appropriate to see the draft as a 'catalyst' for further discussions meaning it would not be the reference point for the negotiations. Agricultural liberalizers have claimed it is not ambitious enough being bland in improving market access and being too slow in phasing out export subsidies while other members, such as EU, Japan, Korea and Switzerland, consider it to be unbalanced, with the EU in particular voicing the draft's failure to address Non Trade Concerns. It also emerges that as differences are as sharp as ever, and are unlikely to be resolved by end-March, some are suggesting 'technical issues'-such as reduction commitments and time periods-in the Chairman's draft could be left to be resolved at Cancun without compromising the Doha mandate.[27]

V. THE POST DOHA AGRICULTURAL NEGOTIATIONS: THE FUTURE

It is of paramount importance that future negotiations on agriculture usher in a truly integrated trade and development strategy. Negotiations should firmly pursue the use of the most effective modalities to: [a] cut tariffs and non-tariff barriers-including the use of a Swiss formula type approach to take into account both the mean and the distribution of tariffs [b] identify and reduce the most damaging forms of domestic and export support which have adversely affected world market prices for agricultural products and [c] establish a technically and financially feasible "Development Box" to meet the immediate food security needs and stimulate longer term supply capacity of African countries.

Such thrusts can be reinforced by inter and intra regional arrangements and co-operation between African countries-exemplified by SADC and COMESA- and between African and developed nations-exemplified by ACP-EU agreements. Thus, the institutional strength of African regional organizations should be harnessed to strengthen bargaining and negotiating prowess. Africa has over 13 sub-regional communities, economic unions and organizations. Most of the WTO member countries belong to some 62 Regional Trade Agreement

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[25] Mamaty, I, African Countries and the Agreement on Agriculture. What Scope for Sustainable Development? International Centre for Trade and Sustainable Development. Geneva. March 2002.

[26] WTO, Negotiations on Agriculture. First Draft of Modalities for the Further Commitments. TN/AG/W/1. 17 February 2003.

[27] Agency for International Trade Information and Co-operation, Thematic File: Post-Doha Agenda. Doha Work Programme Negotiations on Agriculture: Summary and Commentary on the Chairman's Draft Mark One. Geneva, February 2003.

Organizations. In this respect, African economic groups could work together to facilitate and strengthen negotiating positions of common interest in the WTO forum. Moreover, other "Like Minded Groups"]LMG] should be encouraged to work together with African regional groupings as well as institutions such as UNCTAD, the Third World Network, and NGO's, on all important issues of negotiations affecting Africa and other developing countries. In the search for a common negotiating position African countries should build on formulating a common position on a number of issues. Furthermore, African negotiators should take into account the varying levels of internal lobbying by interest groups within the developed countries-exemplified by the EU- to pressure the respective national governments to continue with protective measures and domestic and export subsidies. This has adverse implications for the prospects of African exports to developed countries and the scope of implementing the commitments made by the developed countries under the Agreement on Agriculture and at Doha. [28] African negotiators should also take into account informal meetings and discussions in the aftermath of Doha. This is exemplified by the Informal Trade Ministers' Meeting in Sydney, Australia in November 2002 which brought together trade ministers from 25 countries . It was claimed that this was an informal meeting of ministers to facilitate a better understanding of a number of important issues being discussed as part of the Doha Development Agenda. However, various civil society groups voiced their apprehension about such gatherings as the criteria for the selection of countries selected was unknown, and it was stated that no written records are kept of the discussions while decisions are made that affect the entire membership and the agenda is set on their behalf and in their absence. The implications of such 'Mini-Ministerials' for the Post Doha Agenda need to be carefully investigated. [29]

In essence, African negotiators should work towards devising common goals and strategies in the frame of a 'Development Agenda' centred around the following major concerns:

- The inter-linked issues of tariff peaks and tariff escalation- identification of the major commodities which are affected by the first and ensuring that under the second the specific commodities too are listed to ascertain their impact on the scope of developing processed and semi-processed sectors and their implications on thwarting agro-industrial growth and diversification;

- The tariff levels after tariffication with 36% reductions are still very high and African countries should negotiate for further reductions of tariffs and removal of the remaining quantitative restrictions in agricultural products, possibly to levels applied to manufactures;

- Evaluation of the most suitable 'formulas" –including adaptation of the "Swiss formula"- which can be used as modalities to ease market access for their exports to developed countries-this should take into account both the "mean" and the "dispersion" of the tariffs imposed by developed countries and "formulas" which can be most effective;

- Tackling the major obstacles due to NTB and identifying the ways in which these manifest themselves in developed countries and impact on African exports;

[28] The Economist, November 2, 2002.

[29] .'Civil Society Groups Denounce Sydney WTO Mini-Ministerial". www.foe.org.au/mr/mr

- Ensuring that African countries can adopt measures which can ease their scope of “proving” that there is “serious injury” that threatens their domestic production-hence, the thresholds to prove injury needs to be reduced;

- Eliminating “blue box” and tightening the criteria for all “Green Boxes” to avoid loopholes not to increase output support illegally;

- Identify African exports being adversely affected by export subsidies used by developed countries and bringing pressures on developed countries to sharply reduce their export subsidies while re-vamping the AoA to allow African countries to make selective use of export subsidies to boost their exports;

- Pressurizing developed countries to exercise restraint on domestic support under the “Green Box” while allowing African countries to use the box to furnish investment subsidies to stimulate domestic food production beyond the expiry of the Peace Clause [2003];

- Implementing firm monitoring and evaluation of the conditions in each country so that the Special and Differential Treatment clause can be used while ensuring that a] aspects such as food aid do not disrupt longer term domestic food production and b] that support is also obtained under S and DT through additional resources to boost longer term food production capacity;

In the final analysis African negotiators face a daunting challenge in identifying, interpreting, and resolving the thorny issues under the Post Doha agricultural negotiations. It is therefore essential to develop a Roadmap for African countries in the ongoing negotiations on the Agreement on Agriculture. This should encapsulate the common negotiating objectives and strategies of African countries and delineate modalities for establishing consensus on these strategies. This should encompass not only African countries but also a wide range of African stakeholders including agricultural associations, rural populations, civil society and the private sector.

APPENDIX A

Table A: Liberalisation Commitments in Agriculture					
Group of countries	Market Access		Domestic Subsidies	Export Subsidies	
	Price based measures	Measures (Quantity)		Outlays	Quantities
DCs	Tariffication & tariff reductions of 36% unweighted average over 6 yrs.	Tariff quotas for 3% of domestic cons., rising to 5% after 5 yrs.	20% reduction in aggregate in 6 years	36% reduction in 6 yrs.	21% reduction in 6 yrs.
Developi ng	Tariffication and tariff reductions of 24% unweighted average over 10 yrs.	None	13.3% reduction in 10 years	24% reduction in 10 years	14% reduction in 10 years
LDCs	None	None	None	None	None

Source: Africa and the World Trade Organization [WTO]. Doha and Beyond. ECA, AERC, and OAU.

Note: Period for Developed Countries [DCs] to carry out the reforms =1995-2000; period for Developing countries to carry out reforms=1995-2004.

Table B
Changes in Tariff Escalation on Industrial Products Imported by Developed Countries From Developing Countries

	[percent]		Percentage	Tariff	
All Industrial Products					
Raw materials	36.7	22	2.1	0.8	1.3
Semi-manufactures	36.5	21	5.4	2.8	2.6
Finished products	96.5	57	9.1	6.2	2.9
All Tropical Industrial Products					
Raw materials	5.1	35	0.1	0.0	0.1
Semi-manufactures	4.3	30	6.3	3.4	2.9
Finished products	4.9	34	6.6	2.4	4.2
Natural resource –based Products					
Raw materials	14.6	44	3.1	2.0	1.1
Semi-manufactures	13.3	40	3.5	2.0	1.5
Finished products	5.5	17	7.9	5.9	2.0

Source: Web site: http// www. wto. org. ibid, page 12

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Table C: Trend in Domestic Supports in EU, Japan & USA: 1995-1997

USA (billion US$)	Base	1995	1996	1997
Green Box	24.1	46.0	51.8	51.2
Non-exempt	35.5	77.0	70.5	70.4
Tot. Domestic support	49.6	60.8	58.9	58.3
Tot.AMS Commitment		23.1	22.3	21.5
EU (billion ECU)				
Green Box	9.2	18.8	22.1	n.a
Non-Exempt	73.6	50.6	51.5	n.a
Tot. Domestic support	82.9	90.2	95.1	n.a
Tot.AMS Commitment		78.7	76.4	n.a
Japan (billion yen)				
Green Box	2204.6	3169.0	2818.0	2652.0
Non-Exempt	4959.0	3544.7	3367.0	3207.1
Total Domestic Support	7163.6	6713.7	6185.0	5859.1
Total AMS commitment		4800.6	4635.0	4469.5

Notes: n.a= not available

Sources: compiled from 1. WTO (2000), Committee on Agriculture, Special Session, Domestic Support, GA/G/NG/S/I

2. WTO (2000), Committee on Agriculture, Special Session, Green Box Measures, GA/G/NG/S/2

Table D: Estimates of OECD Support to Agriculture [US $ million]					
	1986-1988	1998-2000	1998	1999	2000
Total Value of production (at farm gate)	559, 152	651,004	668,305	653,148	631,558
Total Value of Consumption (at farm gate)	528,482	597,978	605,437	600,153	588,344
PSE	236,445	257,567	253,661	273,552	245,487
Percentage PSE	38.7	34.9	33.7	36.7	34.2
GSSE	41,601	57,137	58,907	56,981	55,5225
GSSE as a share of TSE	13.9	16.8	17.4	16.0	17.0
CSE	166,892	158,430	156,485	171,719	147,085
Percentage CSE	-33.0	-27.7	-27.0	-29.0	-26.1
TSE	298,480	340,544	339,065	355,927	326,640
Percentage TSE as share of GDP	2.2	1.3	1.4	1.4	1.3

Source: 'Overview', Mary E Burfisher, Agricultural Policy Reform in the WTO-the Road Ahead. Market and Trade Economics Division, Economic Research Service, U.S. Department of Agriculture. Agricultural Economic Report No.802.

Note: static gains refer to the annual gains due to removing distortions to production and consumption decisions in 1997 $ US billion. Dynamic gains include effects related to cumulative increases in savings, investment, and productivity over a 15 year post-reform period. Dynamic welfare impacts are the annual level about 15 years after reform. China is not assumed to reform its policies because it is not a WTO member

Table E: Welfare Impacts from Elimination of Global Agricultural Tariffs & Subsidies			
		Static + Dynamic	
	Static Resource allocation Gains	Investment Growth gains (US$billion)	Investment Growth + productivity gains
World	31	36.3	56.4
DC group	28.5	29.7	35.1
Australia & New Zealand	1.6	3.4	3.5
Canada	0.8	1.2	1.4
EFTA	1.7	0.1	0.2
EU	9.3	8.2	10.6
Japan & Korea	8.6	5.1	6.2
USA	6.6	11.8	13.3
Emerging & Developing country group	2.6	6.5	21.3
China	0.4	1.8	2.23
Latin America	3.7	4.7	6.1
Mexico	-0.2	0.1	1.6
Other Asian countries	1.5	0.3	5.11
South African Countries	0.3	0.5	0.8
Rest of World	-3.1	-0.4	5.4

Source: **'**Overview', Mary E Burfisher, Agricultural Policy Reform in the WTO-the Road Ahead.Market and Trade Economics Division, Economic Research Service, U.S.Department of Agriculture. Agricultural Economic Report No.802. Note: na= not applicable, no policy in use. Numbers do not sum to row and column totals because only selected countries are included and there are interaction effects among policies.

Table F: Effects on World Prices of Eliminating Agricultural Policy Distortions by Country & Policy: Percent change from base					
	World	US	EU	Japan/ Korea	LDCs
Elimination					
All Policies	11.6	1.8	4.4	1.5	2.3
Tariffs	6.0	0.7	1.5	1.4	2.3
Domestic Support	3.6	0.9	2.0	0.2	n.a.
Export Subsidies	1.5	0.1	0.9	n.a.	0.0

Source: J. V. Braun et al, "Development Box" and Special and Differential Treatment for Food Security of Developing Countries: Potentials, Limitations and Implementation Issues, ZEF Discussion Papers on Development Policy, Bonn, May 2002.

APPENDIX B

GLOSSARY: TRADE AND AGRICULTURE

Africa Group. Comprises 41 countries including Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo [Democratic Republic], Cote d' Ivorie, Djibouti, Egypt, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya,Lesotha, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe

Ad valorem. An ad valorem duty [tariff, charge, and so on] is based on the value of the dutiable item and expressed in percentage terms; for example, a duty of 20% on the value of automobiles.

Agreement on Agriculture. Part of the Uruguay Round agreement covering issues related to agriculture [e.g. market access, export subsidies, and internal support].

AMS [Aggregate Measurement of Support]. An index that measures the monetary value of the extent of government support to a sector. The AMS, as defined in the Agreement on Agriculture, includes both budgetary outlays as well as revenue transfers from consumers to producers as a result of policies that distort market prices. The AMS includes actual or calculated amounts of direct payments to producers [such as deficiency payments], input subsidies [on irrigation water, for example], the estimated value of revenue transferred from consumers to producers as a result of policies that distort market prices [market price supports], and interest subsidies on commodity loan programmes. The AMS differs from the broader agricultural support measure, the Producer Subsidy Equivalent, by excluding estimated benefits [or costs] of certain non commodity specific policies [e.g. research and environmental programmes], and by using special WTO defined measures of deficiency payments and market price supports. Furthermore, the final AMS for the WTO implementation period [1995-2000] is adjusted to exclude deficiency payments under WTO special provisions, even though they are included in the WTO base period.

ASEAN [members of WTO] includes Brunei, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand

Bound tariff rates. Tariff rates resulting from GATT negotiations or accessions that are incorporated as part of a country's schedule of concessions. Bound rates are enforceable under Article II of GATT. If a GATT contracting party raises a tariff above the bound rate, the affected countries have the right to retaliate against an equivalent value of the offending country's exports or receive compensation, usually in the form of reduced tariffs of other products they export to the offending country.

Cairns Group. A group formed in 1986 in Cairns, Australia, that seeks the removal of trade barriers and substantial in subsidies affecting agricultural trade. The group includes Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombo, Costs Rice, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, Thailand, South Africa, and Uruguay. The Cairns Group was a strong coalition in the Uruguay Round of multilateral trade negotiations.

Caricom. Comprises Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Trinidad and Tobago, Suriname

Ceiling binding. In cases where an existing tariff was not already bound, developing countries were allowed to establish ceiling bindings. These ceiling bindings could result in tariffs that were higher than the existing applied rate. The ceiling binding s took effect on the first day of implementation of the Agreement.

Dumping. A form of price discrimination by which the export price of the product exported from one country to another is loess than the comparable price, in the ordinary course of trade- that is, including transport and related costs- for the like product when destined for consumption in the exporting country [GATT Article VI]. Also defined as sales below the estimated cost of production. The margin of dumping is the difference between the two prices.

EU [European Union]. Established by the Treaty of Rome in 1957 and known previously as the European Economic Community and the Common Market. Originally composed of 6 European nations, it has expanded to 15. The EU attempts to unify and integrate member economies by establishing a customs union and common economic policies including the CAP [Common Agricultural Policy]. Member nations include Austria, Belgium, Denmark, Germany, Greece, Finland, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

Everything But Arms. A 2001 EU initiative to grant least developed countries duty and quota free access for their exports.

Formula Approach. Method of negotiating down tariffs or other barriers to trade by applying a general rule [formula]. For example, a rule specifying that all tariffs are to be cut to a certain fraction of their initial level, or that an agreement should cover a certain proportion of economic activity [sectors].

GATT [General Agreement on Tariffs and Trade]. Originally negotiated in Geneva, Switzerland, in 1947, among 23 countries, including the United States, GATT is an agreement to increase international trade by reducing tariffs and other trade barriers. The agreement providers a code of conduct for international commerce and a framework for periodic multilateral negotiations on trade liberalization and expansion.

In-quota tariff. The tariff applied on imports within the quota. The in-quota tariff is less than the over-quota tariff.

Least Developed Country [LDC]. A country that satisfies a number of criteria established by the United Nations that together imply a very low level of economic development. As of 2002 the UN had classified 49 countries in the LDC group. Used in WTO Subsidies Agreement where LDCs are granted differential treatment.

Market access. The extent to which a country permits imports. A variety of tariff and non tariff trade barriers can be used to limit the entry of foreign products.

Megatariffs. Extremely high tariffs that effectively cut off all imports other than the minimum access amounts granted under the agreement. Some well-known examples of megatarrifs resulting from tarrification include the base tariffs calculated for EU tariffs on grains, sugar and dairy products; US sugar, peanuts, and dairy products; Canadian tariffs on dairy products and poultry, and Japanese tariffs on wheat, peanuts, and dairy products.

Most Favoured Nation [MFN] principle. MFN is the ‘normal’, non-discriminatory , tariff charged on imports of a good. In commercial diplomacy, exporters seek MFN treatment-that is, the promise that they get treated as well as the most favoured exporter. Called Normal Trade Relations in the US.

National Treatment. Principle that foreign goods, services, and persons [investors], once they have entered a country and satisfied any formalities that are required, are treated in exactly the same way as national goods, services or persons. In particular, they face the same internal taxes and no additional restrictions.

Non Tariff Barriers NTB]. Regulations used by governments to restrict imports from, and exports to, other countries, including embargoes, import quotas, and technical barriers to trade.

Notifications. The annual process by which member countries report to the WTO information on commitments, changes in policies, and other related materials as required by the various agreements.

OECD [Organization for Economic Cooperation and Development]. An organization founded in 1961 to promote economic growth, employment, a rising standard of living, and financial stability; to assist the economic expansion of member and non-member developing countries and to expand world trade. The member countries are Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

Over-quota tariff. The tariff applied on imports in excess of the quota volume. The over-quota tariff is greater than the in-quota tariff.

Plurilateral agreement. In WTO an agreement to which membership is voluntary, dealing with an issue that is not covered by the WTO. In 2002 there were two plurilateral agreements-on civil aircraft policies and government procurement.

PSE [Producer Subsidy Equivalent]. A broadly defined aggregate measure of support to agriculture that combines into one total value aggregate, direct payments to producers financed by budgetary outlays [such as deficiency payments], budgetary outlays for certain other programmes assumed to provide benefits to agriculture [such as research and inspection and environmental programmes], and the estimated value of revenue transfers from consumers to producers as a result of policies that distort market prices.

Round. Refers to one of a series of multilateral trade negotiations held under the auspices of GATT for the purposes of reducing tariffs or other trade barriers. There have been eight trade negotiating rounds since the adoption of GATT in 1947.

Safeguard Action. Emergency protection to safeguard domestic producers of a specific good from an unforeseen surge in imports [GATT Article XIX], to protect a country's external financial position and balance of payments [GATT Article XII, XVII:B], or to protect an infant industry in a developing country {GATT Article XVII: A or C]. See also Escape Clause.

Small island Developing States [SIDS]. Barbados, Cuba, Dominica, Jamaica, Mauritius, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago

Special and Differential Treatment. The provision allowing exports from developing countries to receive preferential access to developed markets without having to accord the same treatment in their domestic markets.

Special Safeguard. In the WTO Agreement on Agriculture, a protectionist measure that can be triggered automatically by a decline in prices or an increase in imports.

Subsidy. Assistance granted by government to the production, manufacture or export of specific goods and taking the form either of direct payments, such as grants or loan, or of measures having equivalent effect, such as guarantees, operational or support services or facilities, and fiscal incentives.

Strategic trade policy. The use of trade policies to alter the outcome of international competition in a country's favour, usually by allowing its firms to capture a larger share of industry profits.

Tariff. A tax imposed on commodity imports by a government. A tariff may be either a fixed charge per unit of product imported [specific tariff] or a fixed percentage of value [ad valorem tariff].

Tariff Binding. In GATT context, commitment by countries not to raise particular tariff items above a specific or bound level. Also referred to as ceiling bindings. The so called schedule of tariff concessions of each WTO member is annexed to its Protocol of Accession.

Tariff Escalation. Occurs if the tariff increases as a good becomes more processed. Escalation discourages imports of more processed varieties of the good [discouraging foreign processing] and offers domestic processors positive levels of effective protection. For example, low duties on tomatoes, higher duties on tomato paste, and yet higher duties on tomato ketchup.

Tariff Peaks. Tariffs that are particularly high, often defined as rates that exceed the average nominal tariff by a factor of more than three.

Tariff-rate quota. Quantitative limit [quota] on imported goods, above which a higher tariff rate is applied. A lower tariff rate applies to any imports below the quota amount.

Tariffication. Procedure of converting NTBs into their tariff equivalent. In the Uruguay Round all developed countries' agricultural NTB were tarrified and bound.

Technical barriers to Trade. Trade restrictive effect arising from the application of technical regulations or standards such as testing requirements, labelling requirements, packaging requirements, marketing standards, certification requirements, origin marking requirements, health and safety regulations, and sanitary and phytosanitary regulations.

Terms of trade. The price of a country's exports relative to the price of its imports.

Trade capacity. The supply-side ability of a country to benefit from the opportunities offered by the world market and MFN or preferential access to markets.

Trade Creation. Occurs when liberalization results in imports displacing less efficient local production and/or expanding consumption that was previously thwarted by artificially high prices due to protection.

Trade Diversion. Occurs when a trade reform discrimination between trading partners and a less efficient [higher cost] source displaces a more efficient [lower cost] one. Can arise whenever some preferred suppliers are freed from barriers but others are not.

Trade Integration. Process of reducing barriers to trade and increasing participation in the international economy through trade. Also used to describe efforts to integrate trade policy and strengthening of trade-related institutions into a country's overall development strategy.

Trade Policy Review Mechanism. WTO mechanisms for periodic review of the trade policies and practices of members.

Trade Related Investment Measures. Policy used by governments to influence the operations of foreign investors by establishing specific performance standards relating to trade. Examples are export performance requirements and local content rules mandating that investors use a certain proportion of domestic inputs in their production].

Trade Related Technical Assistance. Services financed and/or provided by donors and development agencies to strengthen trade related institutions and build trade capacity in developing countries.

Transparency. Clarity, openness, predictability and comprehensibility [used in regard to individual trade related regulations and operation of institutions].

UR [Uruguay Round] agreement. The Uruguay Round of multilateral trade negotiations, conducted under the auspices of the GATT, is a trade agreement designed to open world markets. The Agreement on Agriculture is one of the 29 individual legal texts included in the Final Act under an umbrella agreement establishing the WTO. The negotiations began at Punta del Este, Uruguay, in September 1986 and concluded in Marrakesh, Morocco, in April 1994.

Waiver. Authorized deviation from a previously undertaken and legally binding obligation. Can be sought by WTO members through invocation of Article IX. WTO. Conditions under which waivers are granted are generally negotiated and limited in time.

WTO [World Trade Organization]. Established on January 1, 1995 as a result of the Uruguay Round, the WTO replaces GATT as the legal and institutional foundation of the multilateral trading system of member countries. It provides the principal contractual obligations determining how governments frame and implement domestic trade legislation and regulations. It is the platform on which trade relations among countries evolve through collective debate, negotiation, and adjudication.