

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Proposal Regarding the Agreement on Agriculture in the Context of Paragraph 9(a)(ii)
of the Geneva Ministerial Declaration

Communication from India

The following communication, dated 28 September 1999, has been received from the Permanent Mission of India.

Issues

1. Article 20 of the Agreement on Agriculture provides for negotiations for continuing the reform process in the agricultural sector. Article 20 of the Agreement also specifically stipulates that these negotiations should be based on the experience of implementing the provisions of the Agreement, and in particular should take into account the non-trade concerns and the implementation of special and differential provisions for developing-country Members. Obviously, therefore an important aspect of these negotiations is that they should address the concerns and shortcomings which Members, particularly developing-country Members, have faced in the implementation of the Agreement since its adoption.

2. As a background to the concerns that we have on implementation, we would like to state that a number of developing countries like India have predominantly agrarian economies, where a very large percentage of the population is dependent on agriculture for their livelihood. India is one such example where nearly two thirds of the population is dependent on this sector. While the main concern of such countries, over the years, has been to ensure food sufficiency for their populations, they have at the same time also sought to find stable markets for their products. In spite of the fact that the Preamble to the Agreement specifically mandated developed countries to provide greater opportunity and access to the agricultural products of interest to developing countries, this special and differential treatment in the area of market access has not been forthcoming. In fact a number of studies have shown that the post-Uruguay Round base tariffs of a number of sensitive commodities in many industrialized countries are higher than the actual tariff equivalents of all border measures which existed in 1986-88. Even the minimum market access sought to be provided through the use of tariff quotas has not been effective, since the administration of TRQs continues to be unsatisfactory, specially for new suppliers. TRQs therefore need to be abolished totally.

3. Trade-distorting support being provided by some developed countries has had a disproportionately negative effect on trade in a number of agricultural products which developing countries export. In fact domestic support is an area where the playing field is definitely not even, since developed countries who had notified base AMS levels can, and have, continued to provide large scale trade-distorting domestic support. The effective reduction in the level of support being

provided in the so-called "amber box" has been insignificant. Moreover, since AMS reductions have been based on aggregates, countries have been able to shift support amongst different products, thereby being able to provide support to sensitive products despite their AMS reduction commitments. There is also a noticeable and alarming shift of support being provided by some developed countries from the "amber box" to the "green box". It is therefore imperative that all support, whether in the amber, blue or green box, is brought down to a common percentage of present production value, rather than being reduced from former support levels. Apart from creating a level playing field, such an approach would have the added advantage that it would considerably simplify notification requirements.

4. Similarly export subsidies have continued to distort world agricultural trade for too long. It is therefore imperative that the use of export subsidies is eliminated, and a suitable time-frame determined for the phase out of these subsidies, so that their trade distorting is gradually eliminated. It would also be important to address issues related to circumvention and roll-over of export subsidies during the negotiations.

5. Some aspects of the green box measures may also need to be reviewed in order to provide a certain degree of flexibility to developing countries. For instance, the restrictions on public holdings for food security purposes and domestic aid do not appear to be entirely realistic since at times it is neither possible nor practical to insist on a hard and fast criterion for eligibility for distributing subsidized food grains, particularly in view of the geographical spread of the vulnerable sections of society. It would, therefore, be appropriate to revisit the "Green Box" to include programmes that are more responsive to the requirements of developing countries.

6. In our view, the only way that these concerns can be met is by providing a certain degree of flexibility to developing countries by appropriately modifying the provisions of the Agreement on Agriculture, particularly as far as domestic support and green box measures are concerned. For instance it would be important to recognize that in time to come the 10 per cent de minimis level presently allowed under the AMS may not be sufficient for developing countries to give the kind of support they would need to provide to alleviate poverty and sustain rural employment. Moreover, specific guidelines would need to be formulated on how to compensate for excessive rates of inflation and depreciation of currency – problems which developing countries face while calculating their AMS.

Proposals

7. Concrete and operational provisions for the special and differential treatment of developing countries shall be defined, taking into account the experience of developing countries in adapting to the present reform process, their differing level of economic development, the role of agriculture in their economies with a large rural population, the need for food security, as well as the vulnerability of the agricultural sector in developing countries.

8. Sum of all domestic support (whether in the green, blue or amber box) provided by developed countries should not exceed an appropriate proportion of the total value of agricultural production. Developing countries should be provided additional flexibility as a special and differential provision.

9. If in the calculation of the AMS, domestic support prices are lower than the external reference price (so as to ensure access of poor households to basic foodstuffs) thereby resulting in negative product-specific-support, then Members should be allowed to increase their non-product specific support by an equivalent amount. Also suitable methodology should be adopted for taking into account the high levels of inflation while making the domestic support notification.

10. Tariff-rate quotas should be abolished forthwith. However, if they are to be continued for a short transition period, then the administration of TRQs must be clearly laid down so as to provide

trading opportunities to all Members in an equitable manner and discipline discriminatory and non-transparent TRQ allotment.

11. Programmes that are responsive to the requirements of developing countries, including any/all measures aimed at ensuring food security, particularly in the context of large agrarian economies, should be included in the green box.

12. A time bound and comprehensive elimination of all export subsidies being provided by developed countries. Export subsidies should only be permitted as an S&D provision for developing countries

13. Any tariff reducing proposal/formula used during the negotiations should provide a certain flexibility to predominantly agrarian countries in so that they can protect the livelihood of rural populations from possible surges of imports.
