

## Agriculture

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*Agriculture trade negotiations have been the most sensitive and long-standing as evidenced from the days of the Uruguay Round negotiations. This is attributed to the sensitivity of the sector as it is the backbone of most of the developing economies and subject to many trade-distorting protectionist measures by many developed countries. The primary concern of the WTO members is about delicately balancing out increased market access demand against food and livelihood security concerns. To date, outstanding issues on agriculture negotiations evolve around finding a permanent solution on public stockholding for food security purposes, special safeguard mechanisms (SSMs), export restrictions, and special products (SPs).*

### Introduction

The Uruguay Round produced the first-ever multilateral agreement dedicated to agriculture named the Agreement on Agriculture (AoA). The objective of the AoA is to foster agriculture trade reforms and further ensure that the WTO members develop policies that are more market-oriented, and improve predictability and security for importing and exporting members alike. Due to this, new rules and commitments have arisen with respect to market access, domestic support, and export competition.

In the course of time, members are under obligation to gradually reduce and finally eliminate any barriers, tariffs or otherwise, that would hinder market access or distort trade in agriculture. Therefore, a number of issues, such as trade-distorting domestic support, unjustified high tariffs have been partially

resolved with the exception of four issues, which are under discussion.

They were part of the Nairobi Package of 2015 in which members agreed to work towards concluding them by MC11 to be held in Buenos Aires in December 2017.

### A Quick Recap

The stand of many developing countries on finding a permanent solution on public stockholding for food security purposes has been to sustain the interim Peace Clause agreed upon during the 9<sup>th</sup> WTO Ministerial Conference (Bali Ministerial Decision 2013) and reiterated in the MC10 (Nairobi 2015) with the caution that a permanent solution be found by the time the next Ministerial Conference convenes.

With regard to SSMs, a group of developing country members is guided by the 6<sup>th</sup> WTO Ministerial Decision (Hong Kong Ministerial Declaration 2004), which

emphasised on the importance of maintaining SSMs albeit being silent on finalising the methods to be applied.

In relation to agriculture export restrictions, concerns raised by net food importing developing countries such as Singapore, Israel is that their food security is likely to be disrupted if exporting countries restrict or tax exports of agricultural products. To that extent, they have proposed disciplines such as converting them to taxes that would then be reduced over time (similar to tariffication of import restrictions).

On SPs, a number of developing countries have maintained that they ought to be used for crops that are vital for food security and livelihood security of their farmers. Developing countries have relied on the WTO's August 2004 Framework Agreement for Agriculture Negotiations, which allow them to designate an appropriate number of agricultural tariff lines as SPs under the auspices of Special and Differential Treatment (SD&T).

### **Permanent Solution on Public Stockholding for Food Security Purposes**

The Nairobi Ministerial Declaration implored upon the WTO members to put concerted efforts towards arriving at a permanent solution on public stockholding for food security purposes by MC11. This is because it is unique to the specific needs of developing country members, such as India, whose domestic support for producing foodstuffs may exceed the agreed limit of providing such subsidies as per the current method of

calculating the Aggregate Measurement of Support to agriculture as per the Uruguay Round AoA.

The Peace Clause as agreed in MC9 in Bali and strengthened in MC10 in Nairobi has prevented raising disputes against such countries even if they breach the agreed limit of providing such subsidies to their agricultural producers.

The proposed permanent solution will ensure that developing country agricultural producers will continue to receive subsidies for producing foodstuffs (not just key staple foods) for food security purposes in their countries.

Furthermore, as against a proposed put forward by the European Union, Brazil and some other developing countries, it is argued that such subsidies should not be linked to their commitments to reduce overall domestic support for agriculture.

However, as part of the provisions for a permanent solution on public stockholding for food security purposes, there could be measures for ensuring more transparency in applying the provisions regarding such public stockholding so that public procurement of foodstuffs meant for domestic food security purposes do not get exported. In that case, such subsidies may be constituted as trade-distorting.

### **Special Safeguard Mechanisms**

Negotiations on SSMs should be pegged on how to effectively balance out import quantity and/or price triggers, and the size and duration of such remedies. Any

arbitrary restriction on SSMs may defeat the purpose of protecting poor, vulnerable farmers in developing countries. For example, if the import quantity trigger is set too high, the SSM loses its efficacies because it can then only be used in most exceptional circumstances.

The same would be the case if the price trigger is set too low.<sup>1</sup> SSMs should be made effective by allowing developing countries to raise their applied Most Favoured Nation (MFN) tariff rates as soon as either price and/or quantity triggers of import of identified agricultural products reach a reasonably agreed limit.

A development-focused SSM means that developing countries ought to agree on whether to extend SSMs to include both food crops and crops that are important for the income stability of farmers and farm workers. Alternatively, developing country members may consider exploring an approach similar to Special Agricultural Safeguards, available to 34 WTO members who undertook tariffication in which all non-tariff measures were converted into tariffs as per Article 5 of the AoA.

## **Export Restrictions**

One of the foreseeable outcomes of MC11 would be the strengthening of the WTO disciplines on agriculture export restrictions. This demand has been put forth by many net food importing developing countries. Among other measures, they call for increased transparency in the application of such measures including strengthening of agriculture management information system.

While this may be considered, there still remains the delicate balance between maintaining the regulatory space of controlling export quantities to maintain adequate domestic supply for dealing with excessive increase in domestic prices of foodstuffs, fostering food security for net food importing developing countries, and the need for agrarian reforms to facilitate developing country agricultural producers to explore export opportunities.

A possible head-start may be the commencement of negotiations on product-by-product export restrictions, based on satisfactory policy as well as empirical analysis since complete removal of agriculture export restrictions will have price implications at domestic as well as international level.

## **Special Products**

Making reference to the WTO's August 2004 Framework Agreement, developing country members should call for additional S&DT that will enable them to self-designate an appropriate number of agricultural tariff lines as SPs based on the criteria of food and livelihood security, and rural development needs.

For such products, they should be allowed not to make any commitments to reduce their existing bound rates of MFN (most-favoured-nation) tariffs.

This may be based on the following criteria:

- share of products in total agricultural production and rural development
- share of products in total agricultural consumption

- share of domestic consumption of domestically produced commodities
- contribution of products to the aggregate labor force and employment

## Way Forward

Finding a permanent solution on public stockholding for food security purposes will be the key to the success of MC11. Such subsidies should not be perceived as trade distortionary but a necessity to ensure food security in developing countries. Developing countries should negotiate a permanent solution on public stockholding for food security purposes as a flexible, dynamic mechanism with reasonable limits for providing enhanced minimum support price to their producers of foodstuffs.

On SSMs developing countries should maintain what was agreed upon at the 6th WTO Ministerial Conference in Hong Kong alongside the Nairobi Package which was in their favour. The decision granted developing countries the right to have recourse to SSMs based on import quantity and/or price triggers. The level of reasonable triggers should be negotiated and finalised at MC11.

As regard to agriculture export restrictions, the existing position may be maintained on grounds that it is

permissible under Article 12 of the AoA in which (under the principles of transparency and predictability) members are supposed to give due notice on such measures including plausible justifications. Export restrictions may be considered within the context of SPs on which there should be exemptions from tariff reduction commitments and/or products that have more demand domestically but may become scarce if over-exported.

At the same time, it is important to take into account the food security related concerns of net food importing developing countries. Imposing export restrictions on all agriculture products may affect the global agriculture trade pattern of developing countries and may restrict their producers to explore export opportunities in future.

On SPs, developing countries should push for more flexibilities to address developmental concerns of their agriculture. As such they should be permitted to self-designate SPs as per their needs so that a reasonable percentage of agricultural tariff lines are exempted from future tariff reduction commitments.

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