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Statement by India

Agenda 2B: Work within the Framework of Paragraphs 20 (a), (b), (c) and (d) of the Agreement on Agriculture

We have not been able to fully absorb, examine and analyze the vast amount of information provided by the Secretariat by way of background papers to facilitate our work. However, we would like to offer a few preliminary remarks on them, and that is to say that the information contained in them confirms the key conclusion of the AIE process that by far the largest distortions of trade in agricultural products arise out of the support and subsidization policies and practices of some developed country WTO Members. The inequities inherent in the Agreement on Agriculture between heavy subsidizers and the marginal subsidizers in the manner and scope of reduction commitments have also been pointed out in the UNCTAD's Annual report. The fact is also borne out by the tables attached to the proposals of a group of developing countries that are before us for consideration today in G/AG/NG/W/14.

Article 20 provides us an opportunity to review the experience in implementation of our reduction commitments, its effects on world trade, success in meeting the non-trade concerns such as food security, S&D treatment to developing countries and the progress towards establishing a fair and market oriented agricultural trading system.

My delegation would like to share its experience and perceptions also borne out by various studies and background papers in regard to the implementation of the Agreement on Agriculture in the last five years.

At the outset, it may be mentioned that the implementation of the Agreement was expected to bring a structural change in the world food grains market. It was expected that due to the reduction commitments of the developed countries, cereal production would shift from highly subsidized regions to low-subsidized or non-subsidized regions. Empirical evidence however shows that there has not been much change in the pattern of world cereals production and exports.

The continuation of the high domestic support to agriculture in many developed countries is encouraging over production at high cost to their economies. The export subsidies used to dispose of excess supplies in these countries further artificially depress the prices of such commodities in the international market wiping off the competitiveness and comparative advantage of developing countries. The continuation of these subsidies is undermining their trust and confidence in the fairness of the international trading regime and prevents them from undertaking further liberalization.

It was expected that due to the committed reduction in subsidies by developed countries, the world prices of agricultural commodities would increase. However, contrary to the expectations, prices of most agricultural commodities have been declining. In 1998, most of non-fuel commodities fell sharply by 15 per cent.

A few developed countries have continued to provide high domestic support to their agricultural sector. The level of support can be gauged from the fact that the rate of subsidy other than that allowed under the Green Box, in 1995, in some developed countries was around 30 per cent of their agricultural GDP. In absolute terms the total farm support in the developed world (OECD) increased by 8 per cent to 363 billion US dollars in 1998. Overall domestic support to the agricultural sector in many developed countries has remained almost at the same level as in base. At best the policies in many developed countries have cosmetically shifted the support from one box to another with the overall level of support registering sharp increases.

The opening of the markets, in the post Uruguay Round phase, has been seen mainly in the developing countries while insignificant gains have been made in getting market access in developed countries. While the share of developing countries' exports to destinations other than North America, West Europe, Japan, Australia and New Zealand was 43 per cent in 1998, up from 39-1/2 per cent in 1990 the growth in exports to developed countries has been discouraging. Among the three major developed regions, Western Europe is the most important market for agricultural exports from developing countries, although its share in total agricultural exports from developing countries declined from 30-1/2 per cent in 1990 to 28 per cent in 1998. Japan imported less from developing countries with its share also going down from 14-1/2 per cent in 1990 to 11-1/2 per cent in 1998 as shown by the background note by the Secretariat.

It is an acknowledged fact now that the last round of negotiations regretfully did not bring about the desired trade liberalization in agriculture. The Agreement on Agriculture, which achieved success in defining rules for international trade in agriculture has little to show in terms of effective market opening for developing countries. The gains that the developing countries had anticipated did not materialize. Market Access continues to be hampered by persistent protection by tariff and other barriers such as SPS. Tariff peaks and tariff escalation effectively block developing countries imports in the developed world. It is obvious that benefits to developing countries will occur only on complete elimination of domestic support and export subsidies in developed countries, and larger reduction in bound tariffs in the developed countries.

During the implementation phase it was also enjoined upon the developed country Members that they would take the particular needs and conditions of developing country Members into account by providing for a greater improvement of opportunities and terms of access for agricultural products of particular interest to these Members. The commitments under the reform programme were to be made in an equitable way having regard to non-trade concerns, such as food security. The special and differential treatment provisions for developing countries, which are an integral element of the Agreement have remained by and large on paper and are yet to be effectively operationalized.

In India, as in other large agrarian countries, agriculture lies at the centre of their economies. It contributes a major share to their Gross Domestic Product and employs a large proportion of their labour force. In such countries, it is necessary to adopt an approach in which non-trade concerns such as livelihood of the agrarian peasantry and local production of sufficient food to meet domestic needs are taken on board. Developing countries therefore need to be allowed greater flexibility in providing domestic support to the agricultural sector to meet the challenges of rural employment and food security. State support to low income and resource poor farmers is also essential as it constitutes an integral part of the poverty alleviation programmes in these countries.

Farmers in India are mainly engaged in subsistence farming, either growing food products for their own consumption or exchanging their non food products with food through barter or localized market economy with relatively under developed infrastructure. Their capacity to participate in the international trade is limited. Therefore, the prospects of trade stimulating economic growth in such large agrarian countries are not very significant in the short and medium term.

In view of the above strategy food security in such large agrarian countries will have to be based mainly on local production through increased access to resources. Given the distortions in the international market, the livelihood and income entitlements of farmers in developing countries need to be protected from unfair competition at least in the medium term. Therefore, certain degree of protection in terms of moderately high tariff levels and Special Safeguard clause are a must for sustainable agricultural development in developing countries.

Based on these findings and lessons learnt during the implementation period we would formulate our initial proposals and submissions and present them to the Committee in its subsequent sessions and would look forward to constructive and positive negotiations for establishing a fair, equitable and market oriented agricultural trading system, which is consistent with the food security and rural employment needs of developing countries like India.

Agenda 2C: Presentation and Consideration of Negotiating Proposals

We have sympathy with the concerns raised by Bulgaria and Switzerland in respect of the need for extension of additional protection for geographical indications in agricultural products beyond wines and spirits. Adoption of a highly legalistic approach in the context of mandated negotiations and reviews with a view to deny consideration of the issue relating to geographical indications raised by Bulgaria and Switzerland would not be helpful. If political realities are ignored and attempts are made to make use of the existing inequities in some of the agreements to prevent some countries from raising issues of genuine interest to them, then the atmosphere will not be conducive for meaningful negotiations.

Agenda 2C: Presentation and Consideration of Negotiating Proposals

With your indulgence, I would like to offer our comments on some elements of the proposals contained in documents G/AG/NG/W/11-16 all taken together during my intervention in order to take up some horizontal or cross-cutting issues. Proposals in documents G/AG/NG/W/17-19, which have been received by us only yesterday, will be dealt with by us at a subsequent session.

In our comments made yesterday on the background information prepared by the Secretariat, we noted that it confirms the key conclusion of the AIE process, and other studies done for instance by the UNCTAD, that by far the largest distortions of trade in agricultural products arise out of the support and subsidisation policies and practices of some developed country WTO Members. This distortion results in large part from the inequities inherent in the Agreement on Agriculture between heavy subsidizers and the marginal subsidizers in the manner and scope of reduction commitments. The document W/14 also clearly brings out that one of the key problems since the implementation of the Agriculture Agreement is that despite reduction commitments having been enshrined in the Agreement, overall level of support have increased rather than decreased in major OECD countries. The clear point of action that thus arises from this factual assessment is that our process of negotiations in the agricultural sector must first take this fact into account and decide on how to deal with it. Without having a firm indication of how the distortions in trade that result from the heavy subsidisation of agriculture in these developed countries is dealt with, it would be extremely difficult, if not impossible, to meaningfully engage in negotiations on rules and disciplines that would be applied to all Members. The final shape of the negotiations would necessarily emerge from the commitments that the developed country Members would be willing to take in this important sector.

It is also a well established fact that there are a number of developing countries, which comprise the vast majority of the WTO membership, for whom agriculture is the most important occupation, and growth and development of this sector is critical to their overall economic growth and development. For these countries, including India, it would not be possible to accept that the agriculture sector could be treated in the same manner as other sectors in the WTO. One solution, namely free trade and market-based agricultural systems, cannot solve the problems that these countries are facing. Agriculture, for these countries, is too serious a matter to be left to the markets alone to determine.

Indeed, the approach that is adopted in the agricultural negotiations for dealing with the problems of developing countries would necessarily have to ensure that agriculture remains a viable sector supporting the vast majority of their population. The specifics of agriculture that underpin their economies, such as, but not limited to, the share of agriculture in the GDP, the share of employment in agriculture, per capita incomes, the average size of agricultural land-holdings, input intensities, percentage of marketable surpluses in agricultural output, and percentage of population dependent on agriculture would have to form the basis of classifying the Members for agricultural negotiations, in case our objective is indeed along the lines of Article 20 of the Agreement.

For India, and this will come as no surprise to this Body, the concept of food security includes the ability and flexibility to provide support to agriculture in order to achieve self-sufficiency in food grains and in order to ensure that agriculture remains a viable proposition for millions of farmers. We believe this to be critical not only from our national interest but also that of other developing countries, for whom net-food imports are a matter of necessity. India's development depends on the development of its agricultural sector.

We strongly support the papers presented by a group of developing countries. We share the points that have been made by them and believe that most of the issues identified by them will find reflection in our own submissions in due course.

In the context of their respective proposals, we agree with the CAIRNs Group and also the United States that trade distorting subsidies of the developed countries are having a particularly harmful effect on developing countries, which do not have the means to provide the high levels of support to their producers as developed countries. This is indeed a realistic assessment. It explicitly recognizes that distortions in trade have resulted from the direct and indirect subsidization of agriculture by developed country Members. In our view, therefore, the emphasis in these negotiations should be to formulate disciplines for the accelerated elimination of distortions to trade created by developed country export subsidisation programmes and for the substantial reduction in domestic support in developed countries. We hope that the CAIRNs Group will use its enormous influence and resources for the purpose of developing disciplines to deal with the trade-distorting subsidies being provided by developed countries rather than trying to develop uniform disciplines for all Members thereby adversely affecting the interests of many developing countries whose development depends on the development of their agricultural sector.

We have taken note of the US suggestion for domestic support reform for providing additional flexibility to developing country Members, including the least developed amongst them, to provide "criteria-based" support that is an integral part of their individual development programmes. We appreciate the explicit recognition for additional flexibility to developing countries implicit in this approach. However, while we are studying all the US proposals in detail, a preliminary reaction would be that such additional flexibility should not lead to an intrusive approach by the WTO in the domestic development policy of a Member or to limit the range of options available with developing countries in the planning and management of their agriculture.

In addition, we would like to convey our concern, at this preliminary stage of our examination, in respect of some of the US proposals:

- (a) The US proposals on market access disregard the special and differential treatment required for developing countries, especially in light of the heavy subsidisation and support extended to their farm sector by the developed countries. The uniformity in negotiating basis suggested by the US between developed and developing countries is not acceptable to my delegation. Harmonization of tariff levels across all WTO Members without regard to the special and differential needs of developing countries is implicit in the proposal by Canada on market access as well, and we would have a similar concern in its case.
- (b) The US proposals on tariffs build in continuation of the current practice of denomination of bindings on a specific or *ad valorem* basis. While we welcome their suggestion that complex tariffs and combinations of tariffs must not be used, we believe that denomination of tariffs on a specific basis results in lack of transparency and adversely affects trade in products of interest to developing countries.
- (c) We cannot support any consideration of applied rates as the basis for negotiation.
- (d) Sectoral liberalization (that is, zero-for-zero initiatives) implied in both the US proposal and the Canadian proposal on market access also cannot be supported.
- (e) In respect of the US proposals on export taxes, we would have a serious concern regarding the prohibition in the use of export taxes for supply management purposes.
- (f) We attach importance to the treatment of export credits as a component of export subsidies, and therefore, note with concern the US proposal to deal with the development of disciplines in export credits in the OECD with application of such rules in the WTO to all Members of the WTO.

What we have enumerated today are our preliminary comments in respect of some elements of the proposals that are before us today, other than the three proposals of the EC received by us yesterday. We would like to have an opportunity to present our detailed views at a subsequent session of this Committee on these proposals as well as on proposals presented by other Members or groups of Members for this session.
