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DISCUSSION PAPER

AGRICULTURAL LIBERALISATION AND ITS IMPACT ON SOUTH ASIA

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LIST OF ACRONYMS

ACP	Africa, Caribbean and Pacific
AFP	Agence France Presse
AIE	Analysis and Information Exchange
AMS	Aggregate Measurement of Support
AoA	Agreement on Agriculture
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
BoP	Balance of Payment
CAP	Common Agriculture Policy
EC	European Commission
EEC	European Economic Community
EU	European Union
FAO	United Nations Food and Agriculture Organisation
GATT	General Agreement on Tariff and Trade
GDP	Gross Domestic Product
GSP	Generalised System of Preference
IATP	Institute of Agriculture and Trade Policy
LDC	Least Developed Countries
MERCOSUR	Southern Common Market
NAFTA	North American Free Trade Area
NFIDC	Net Food Importing Developing Countries
OECD	Organisation for Economic Cooperation and Development
RIRDC	Rural Industries Research & Development Corporation
S&D	Special and Differential
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SAPTA	South Asian Preferential Trading Arrangement
SPS	Sanitary and Phytosanitary
STE	State Trading Enterprises
TBT	Technical Barrier to Trade
TRIPs	Trade Related Aspects of Intellectual Property Rights
TRQ	Tariff Rate Quota
UNCTAD	United Nations Conference on Trade and Development
UR	Uruguay Round
USA	United States of America
USDA	United States Department of Agriculture
WIDER	World Institute for Development Economics Research
WTO	World Trade Organisation

EXECUTIVE SUMMARY

During the last fifty years or so, significant efforts have been made to integrate developing countries into the multilateral trading system. In this context, their participation in the GATT and subsequently in the WTO has been much emphasised. Also the Uruguay Round Agreement on Agriculture foresees an increased participation of developing countries in international trade in agricultural products. Progressive liberalisation has been defined as the core strategy to achieve this. Prior to the Uruguay Round, rules on agriculture were weak even though agriculture had never been excluded from GATT 1947. For example, they did not prevent Members from using income and price support measures, or other forms of domestic subsidies.

The Agreement on Agriculture requires WTO Member countries to undertake a number of measures towards liberalising agricultural trade. There are three major areas of commitment, namely market access, domestic support and export competition. Key elements of the market access commitments are 'tarification', tariff reduction, and binding of tariffs. The emphasis of the domestic support provisions is on limiting the effects of trade-distorting measures. Similarly, the Agreement bans the use of export subsidies unless they qualify under some exceptions. Many developing countries can hardly pay export subsidies. This is affordable only by the developed countries.

The main targets of the Agreement are 'temperate' products as the 'tropical' products have long been subjected to GATT disciplines. As the temperate products are equally important for both developed and developing countries, their export interests clash with each other. This clash of interest can be observed in the poor implementation record of Member countries. In fact, most developed countries have substantially deviated from their commitments to providing market access to developing countries and reducing domestic subsidies. On the other hand, developing countries did not receive the kind of support they were promised during the Uruguay Round negotiations. As a result, income and trade gains have been much smaller, if at all, than expected.

Political considerations have dominated the issues related to an honest implementation of the Agreement. Agriculture sector has a very large constituency. The farm lobby has been too strong to be ignored. The developed countries, including the USA, EU, and Japan seem too tough to give any concession to developing countries. Whatever was agreed to is being circumvented. Political costs and benefits of agricultural liberalisation have to be taken into consideration. The inability of developed countries to meet their obligations has had serious implications for Agreements under the Uruguay Round. A hard look at the motivation of developed countries for becoming party to the liberalisation of agricultural trade also reveals that they were not so much interested in the integration of developing countries into the world economy as in seeking new options for their subsidy-ridden agriculture, which was, in many cases, becoming unsustainable in several ways. A further consideration was the need to meet their 'historical obligations' in relation to many of their former colonies.

The Agreement has mandated a review, which is overdue. Member countries of the WTO are divided over what degree of liberalisation should be pursued in agricultural trade. The chief sponsor of agricultural negotiations during the Uruguay Round was the USA. The US represents, therefore, the pro-liberalisation lobby. The Cairns Group supports the US initiative. Thus, a formal and active alliance between

the US and the Cairns Group has emerged. Most of the European countries, Japan, Korea, and a number of developing countries are on the defensive. In addition, they also want recognition of the multifunctional role of agriculture. With regard to the review, the EU and Japan give the impression that they would like to take the negotiation process forward. However, they would allow progress only on the basis of progress towards the launching of a new 'comprehensive round' of multilateral trade negotiations inclusive of the new issues pushed by them.

In fact, agriculture has been the most contentious issue within the WTO. As a result, it is subject to all kinds of maneuvering, especially from the countries, which are opposed to agricultural liberalisation as a stand-alone issue. It is difficult to speak in this context of a 'position' of the developing countries. They may be broadly classified into three categories. Some belong to the Cairns Group, others to the net food importing countries and the LDC group, and still others are in between. Even so, some developing countries are actively participating in agricultural negotiations. At present, the interests of developing countries are represented by two groups, namely, ASEAN and a group of 11 developing countries. One important achievement in this context is the fact that the idea of a 'development box' has been mooted by the developing countries. A state of uneasiness with abrupt liberalisation exists also in the transition economies with shortage of capital, lack of a well-functioning credit system, government budget constraints, and other problems.

The Agreement has also some implications for food security in developing countries, especially in the least developed among them, which depend on the world market for a large share of their food consumption and have limited import capacity. The major concern for these countries is the increasing instability in world market prices for food items. Despite the importance of trade for attaining food security (a non-trade concern of the Agreement), a question still remains to be answered: Can the problem of food security in developing countries be addressed through the present arrangement of things under the WTO? Probably not. In fact, several country-specific studies have brought forth compelling evidences to show that trade could seriously impair the domestic food-grains production capacity of developing countries.

The SAARC countries, like many other developing countries are not taking an 'either, or' position on liberalisation. They are in favour of a degree of liberalisation that corresponds to the level of development in a particular country. To them, the most important question is not to eliminate subsidies or withdraw the support provided to the farming community but to check trade distortion in whatever forms it may come. It is against this background South Asia in general is averse to proposals to further liberalise the agriculture sector bringing the entire discipline within the WTO jurisdiction, although the negotiating positions of some of these countries are still not very clear. Given the fact that the South Asian countries have meager domestic support with exports subsidies virtually non-existent, it may be in their interest to raise voice against all kinds of subsidies that are distorting the international trade.

From a food security perspective, South Asia is not in a comfortable position. The region is home to most undernourished population, second only to Sub-Saharan Africa. This stands in direct contrast to the availability of resources. For example, the South Asian region is endowed with some of the world's greatest river systems, fertile soils and forests and is considered as one of the richest regions in the world in terms of bio-diversity. The Agreement on Agriculture cannot be expected to bring significant improvements in the situation. The rising

food imports bill of all countries in the region during the recent years are, in fact, issuing a note of warning against exaggerated enthusiasm for liberalisation.

The countries in the region could work together in strengthening their position in future negotiations. It is encouraging to note that they do seem to be interested in taking a common stand in particular issues. A trend to intensify consultations among Member governments of SAARC on WTO-related issues is emerging. But, this process is yet to be institutionalised.

CHAPTER - I

POLITICAL ECONOMY OF AGRICULTURAL LIBERALISATION

1.1 Agricultural liberalisation under the GATT/WTO

Agriculture has always been regarded as a special sector in the national economy and its trade has been a politically sensitive issue

The WTO Agreement on Agriculture (AoA) marks a significant policy departure in modern economic history. It sets out a programme for progressive liberalisation of trade in agriculture. The Uruguay Round (UR) saw agricultural protectionism as a factor for trade distortions and included agriculture in the agenda for negotiation. The participants of the UR focused accordingly on the need to bring "more discipline and predictability to world agricultural trade".¹ In fact, agriculture was never excluded in the old GATT. However, GATT-1947 rules applying to agricultural trade were weaker than those that applied to manufactured goods. The reason for this was that many nations regarded agriculture as a sector of economic activity that should be accorded special status.²

Former discipline on Agriculture, allowed, for instance, quantitative restrictions and export subsidies. Dispute settlement required consensus. Trade in agriculture has always been a politically sensitive issue. This may be seen in the number of disputes over agricultural trade. Although the share of agriculture in world trade sank from one-half to one-tenth over the 40 years from 1948, agricultural trade continued to account for about half of all disputes brought to GATT.³

Since the mid-1980s, the two distinct groups emerged on the issue of agriculture trade (protection vs. liberalisation)

Since European Commission supported by Japan was reluctant in agreeing to any liberalisation of agriculture, very little progress could be made on agriculture until Kenney and Tokyo rounds. In both multilateral trade negotiations, the basic premise of the EU was that principles of the Common Agriculture Policy (CAP) were non-negotiable.⁴

In the mid-1980s a group of 15 'fair trading' agricultural exporting nations came together to form the Cairns Group.⁵ Representing both developed and developing countries, they were all trying to trade in the toughest game in town - agriculture. They were fed up with high levels of protection in farming and a global system that had made agriculture the most distorted sector of world trade. They were also [apparently] frustrated with lack of progress on agricultural trade liberalisation in the GATT.⁶ Since their position was similar to that of the US, they joined hands with the latter during the UR of Multilateral Trade Negotiations.

The success of Uruguay Round of Multilateral Trade Negotiations was at stake because of the stand off between the two groupings and their diametrically opposite stand on the issue of agricultural liberalisation

Agriculture continued to remain a contentious issue throughout the UR. The wide disparity in positions led to heated exchanges and some acrimony. Bridging the gap between the EU and the US/Cairns positions proved extremely difficult, not only because of fundamental, substantive differences, but also because of the negotiating strategies that were pursued. Although clearly unacceptable to the EU, for the first two years the USA maintained its demand for a total reduction in trade-distorting support policies within 10 years. The resulting stand-off led to the breakdown of the Mid-term Review of the UR held in Montreal in December 1988. After four-months of informal consultations it was agreed that the long-run objective in the agricultural area was to be 'substantive progressive reduction' in agricultural support. This compromise allowed the negotiation to continue. An agreement between the EU and the USA was eventually reached – after much brinkmanship – with the so-called Blair House Accord in November 1992.⁷

Although the Blair House Accord, signed between the US and the EU in 1992, did break the impasse, it was mute on all the issues directly affecting the developing countries

AoA deals with three areas of agricultural liberalisation, namely, market access, domestic support and export competition – all designed to provide better predictability in the trade on agricultural products

The Blair House agreement dealt with all of the outstanding issues between the European Community and the US in the Dunkel Text⁸, and it contained an agreement to end the US-EC impasse. It was mute on all of the issues directly affecting the developing countries.⁹

1.2 What is in the agreement?

The Agreement on Agriculture requires WTO Member countries to undertake a number of measures towards liberalising agricultural trade. There are three major areas of commitment, namely market access, domestic support and export competition. Key elements of the market access commitments are ‘tarification’ (calculating tariff equivalents of non-tariff import barriers and adding them to fixed tariffs), tariff reduction, and binding of tariffs. During the negotiations, it was realised that tarification alone would not lead to better market access opportunities. Many countries at that time were imposing quantitative restrictions to limit the volume of import of particular commodity groups. These were included in each country’s tariff rate quotas (TRQs), which would allow low tariff imports up to a certain amount. The total number of TRQs was 1,366 in 36 countries. The emphasis of the domestic support provisions is on limiting the effects of trade-distorting measures. Domestic subsidies may distort trade, however, not all subsidies do so. Therefore, the Agreement divides subsidies into three groups (Box 1.1). The Agreement establishes a ceiling on the total domestic support, commonly referred to as ‘Aggregate Measurement of Support’ (AMS). The green and blue box subsidies are exempt from inclusion in AMS. Export subsidies are considered trade distorting. The Agreement bans their use unless they qualify under some exceptions. Many developing countries can hardly pay export subsidies. This is affordable only by the developed countries. In fact, only 25 of the current WTO Members have agricultural export subsidy entitlements in their schedules. They cover a total of 428 product groups.

Box: 1.1

The multi-coloured ‘boxes’ of subsidies

Subsidies are classified into three groups to determine whether or not they need to be reduced and action can be taken against them under the WTO’s dispute settlement mechanism. They are:

The Green Box: Supports to agriculture, which are deemed to be non- or minimally, trade distorting. They do not need to be reduced under the Agreement.

The Blue Box: Direct payments under ‘production-limiting’ programmes. They need not be cut but may be actionable by other WTO Members.

The Amber Box: Export subsidies that are considered trade distorting. They are not allowed, and are open to challenge by other countries.

At the outset of the Uruguay Round, the negotiators set a parallelism with traffic lights classifying support to agriculture in three groups: red (unauthorised), amber (subject to discipline) and green (freely granted). Such a classification aimed at classifying domestic measures according to their trade impact but with no or little consideration to other goals. In the course of the negotiating process itself, negotiators simplified this framework and agreed to distinguish essentially between support that

can significantly impact trade, which should be subject to a reduction commitment (amber box measures) and support that can be considered as having no or at most minimally trade-distorting effects (green box measures).

The general assumption underlying the reduction commitment is that support based on price and/or the volume of output may lead to a significant trade impact. This is the case of amber box measures, while other measures, even if linked to a certain degree to production, are not subject to reduction commitments under the Agreement. In the final stage of the Agreement a new category of support measures, the blue box, was introduced. The choice of the colour reflected the different nature of blue box direct payments, which are linked to factors of production but not to price and volume of output, and which are implemented under production-limiting programmes. The colour chosen for this category did not specifically intend to identify, in one direction or another, the degree of the impact on trade. As a matter of fact, most of the blue box measures identified were new at that time and their potential effect on production and trade was little known.

"Peace Clause", an intrinsic part of the AoA, which prevents WTO Member countries from taking remedial actions against some trade distorting policies, is due to expire in 2003

Developing countries and LDCs were provided some leverage in the tariffication process

Consumer subsidies and producer and taxpayer subsidies are typically what are provided to protect the farm sector

The Agreement has also *de minimis* provisions, which exempt from reduction supports that are less than 5% (10% for developing countries) of production value. Similarly, the Agreement contains a 'peace clause' that shields some of the domestic support policies and export subsidies from remedial actions by other countries. In other words, this limits challenges to subsidies permitted under the Agreement on Agriculture. The 'peace clause' expires in 2003. Its expiry will make some subsidies – notably many of the EU's – vulnerable to petitions for WTO dispute settlement.

The tariffication package of the Agreement, which has led to very high tariff equivalents of non-tariff barriers, requires countries to maintain existing access opportunities. For products with no existing market, minimum access commitments are offered. However, countries may take special safeguard action under specified conditions in order to appropriately respond to sudden increases in imports. The obligation of tariffication may be waived for developing countries in case of balance-of-payments difficulties. Similarly, they are given the flexibility to bind their tariffs at ceiling rates, which could be higher than their applied rates.

Countries agreed to reduce tariffs and subsidies by fixed percentages during the Uruguay Round. The complex pattern of direct and indirect subsidies may be sorted into two categories: *Consumer subsidies*, which refer to indirect transfers from consumers to producers through artificially high prices, usually induced by supply restrictions (such as tariffs and quotas on imports and domestic production) and *Producer or taxpayer subsidies*, which include direct and indirect transfers from government to producers. The Agreement on Agriculture foresees cuts, which affect both types of subsidy. Developing and least-developed countries enjoy preferential status in terms of tariff reduction (Box 1.2).

Box: 1.2**The tariff and subsidy cuts****Tariffs**

Industrial states must reduce tariffs by 36% over six years, while developing countries have to do so by 24% over 10 years. Least developed countries do not need to cut their tariffs.

Production subsidies

Aggregate producer subsidies are to be cut by 20% by industrialised countries over six years, and by 13.3% by developing countries over 10 years, but not by least developed countries.

Export subsidies

Developed countries must reduce by 36% the *value* of their direct export subsidies and by 21% the *quantity* of subsidised exports over six years. The cuts for developing countries are set at two-thirds this level over 10 years. No cuts need to be made by least developed countries.

The Agreement on Sanitary and Phytosanitary Measures, closely linked to the Agreement on Agriculture, allows countries to restrict trade in order to protect human, animal, or plant life. However, this should not be a disguised restriction on trade. The Agreement covers all measures to protect animal and plant health from pests and diseases, and to protect human and animal health from risks in foodstuffs as well as to protect humans from animal-carried diseases. All actions against such risks must be based on scientific evidence.

The AoA also covers some non-trade concerns such as food security

The Agreement also covers some non-trade concerns such as food security and environment protection. The Agreement foresees a "continuation of the reform process". Accordingly, negotiations for further liberalisation of agricultural trade should have started before the end of 1999, but they have been delayed.

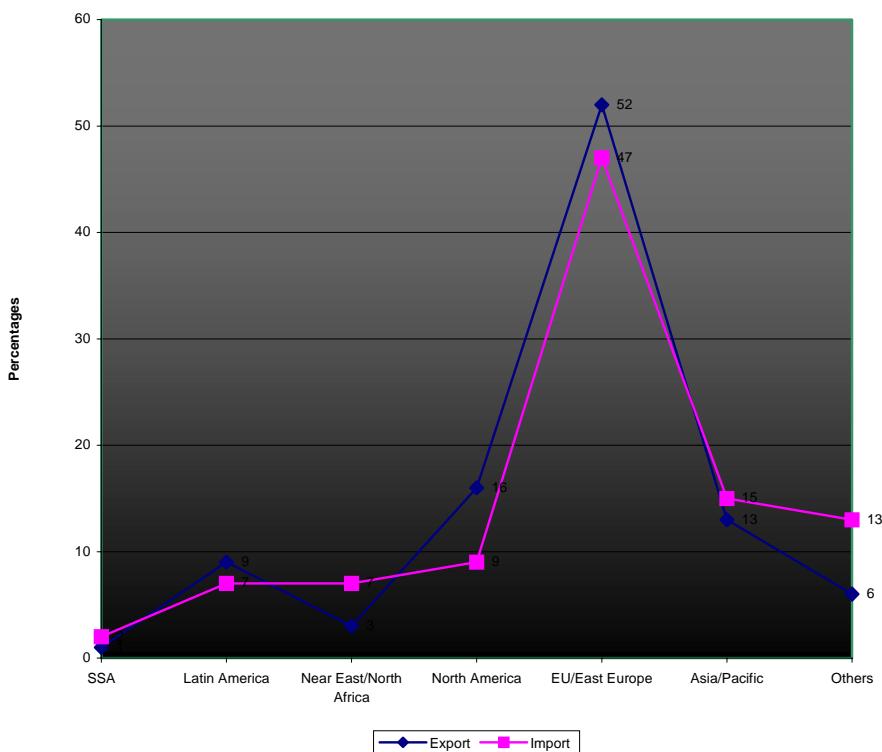
1.3 Liberalisation or “new protectionism”?

The AoA is directed primarily at ‘temperate products’ on which both developed as well as developing countries have significant interests

The Agreement on Agriculture is directed primarily at ‘temperate’ products. The ‘tropical’¹⁰ products popularly associated with developing countries have long been subject to GATT disciplines and tariff cutting. However, governments – mostly in developed countries – were imposing high-level tariff and non-tariff barriers to imports of temperate products into their countries. The reason was to appease the farm lobby through price guarantee schemes. This involved, among others, discrimination against competitive foreign producers.¹¹ The Agreement intends, as seen above, to correct these distortions. However, it has not been able to achieve its objectives.

As the temperate products are equally important for both developed and developing countries, their export interests clash with each other. Although the agricultural trade of developed countries is much larger than that of developing countries, both group of countries have similar interests in the sense that temperate products are critically important for them (fig. 1.1).

Fig. 1.1: Regional shares of trade of temperate agricultural products (1994)



Source: Stevens (n.d.)

Hesitation among the developed countries to implement AoA commitments in letter and spirit is understandable given the strong farm lobbies they face at home

This clash of interest can be observed in the poor implementation record of member countries. Despite the euphoria of initial years of the WTO in relation to its benefits most analysts now consider that income and trade gains have been much smaller than expected. One major reason for the high expectations was the assumption that WTO Members would implement their commitments not only in letter but also in spirit.¹² In agriculture, like in many other sectors, there has been much hesitation in the implementation of commitments. Market access for developing country products has become more difficult in some cases due to 'dirty tariffication' (over-estimated calculation of tariff equivalents of non-tariff barriers). For instance, the EU have bound tariffs on average at about 61 per cent above the actual tariff equivalents, and the US at about 44 per cent (Table 1.1).

Table 1.1: Tariff bindings and actual tariff equivalents of agricultural products in EU and the USA (1986-2000)

Product	Tariff equivalent (%) (1989-93)	Tariff bindings (%)		
		Final period (2000)	Proportional reduction by 2000	Dirty tariffication
European Union				
Wheat	68	109	36	1.60
Coarse grains	89	121	36	1.42
Rice	103	231	36	2.36
Beef and veal	97	87	10	2.36
Other meat	27	34	36	1.32
Dairy products	147	205	29	1.63
Sugar	144	279	6	1.27
All agriculture (unweighted average)	45	73	-	1.61
United States				
Wheat	20	4	36	0.30
Coarse grains	2	2	74	2.00
Rice	2	3	36	5.00
Beef and veal	2	26	15	10.33
Other meat	1	3	36	0.67
Dairy products	46	93	15	1.09
Sugar	67	91	15	1.50
All agriculture (unweighted average)	13	23	-	1.44

Source: Pandey, 2000.

Dirty tariffification represents a glaring example of dishonesty on the part of developing countries to implement the Agreement

Tariffs on agricultural products of export interest to the developing countries still remain very high

The system allows unweighted cuts on average tariff, which has resulted in hardly any reduction in tariff imposed on "sensitive" products

Canada and Japan are the two other major economies with a very high degree of dirty tariffication. For example, the bound tariff for butter is computed at 360% in Canada. Similarly, tariffs for cheese and eggs are computed at 289% and 236% respectively. In Japan, tariffication for wheat stands at 353%. It is 361% for barely products, and 388% for wheat products.¹³ It must be noted that dirty tariffication is not confined to developed countries. In fact, it is being seen as a fact of life. For example, agreed tariff offers frequently exceed tariff equivalents by 98% in India and by 171% in Pakistan.¹⁴

Despite the incidence of dirty tariffication in some products, average tariff levels of many countries have come down as a result of tariff reforms after the conclusion of the Uruguay Round. However, for some products, particularly for those of export interest to developing countries, they still remain at very high levels. This phenomenon of tariff peaks has been eroding the opportunities for developing countries in the international market, especially in the developed countries. Most affected products are dairy products, sugar, groundnuts, and cereals.¹⁵

On the other hand, the average tariff cut (36 per cent for developed and 24 per cent for developing countries) could in effect be less than one sixth on an average, as the system allows unweighted cut with the requirement to reduce each tariff item by only 15 per cent. Countries have often taken recourse to this provision, limiting the positive outcomes of the Agreement. Besides, this allows governments to set peak tariffs for their sensitive products. Of late, the 'multifunctionality'¹⁶ argument has been eroding the importance of liberalisation in agricultural trade.

AoA talks of reduction in subsidies, however overall levels of subsidies have increased over the past six years

Despite the overall increase in the share of developing countries' exports, market in developed countries has not grown correspondingly

Overall levels of subsidies have increased rather than decreased in OECD countries from US\$ 247 billion in 1986-88 to US\$ 274 billion in 1998.¹⁷ On an average, farmers in the OECD countries earned in 1999 about two-thirds more than they would have earned by selling their produce at world market prices.¹⁸ Agricultural commodities receive an annual export subsidy of approximately US\$ 7 billion (calculated for 25 exporting countries). The EU doles out large amounts of export subsidies. They account for 90 per cent of the total subsidies. The dairy sector gets the lion's share (33 percent). It is followed by beef (20 per cent), sugar (11 percent), coarse grains (8 per cent), and wheat and wheat products (5 percent). The remaining 23 per cent is distributed over a large number of other products.¹⁹

Agricultural exports of developing countries expanded more rapidly than those of the developed countries. As a result, the share of developing countries in world agricultural exports increased from 40 per cent in 1990 to 42.5 per cent in 1998. In actual terms the value of exports of agricultural products from developing countries increased from US\$ 114 billion in 1990 to US\$ 167 billion in 1998 (after a record US\$ 178 billion in 1997). However, markets in developed countries did not grow correspondingly (Table 1.2). Among the four major developed country destinations, Western Europe is the most important market for agricultural exports from developing countries. Europe's share in total agricultural exports from developing countries declined from 30.5 per cent in 1990 to 28.5 per cent in 1994 and 28 per cent in 1998. Japan's share also declined from 14.5 to 11.5 per cent over this period. North America, which like Japan had a share of about 15 per cent in 1990, increased its share in total agricultural exports from developing countries to 16.5 per cent in 1998. Australia/New Zealand took about one per cent of total agricultural exports from developing countries in 1998, as was the case in 1990.²⁰

Table 1.2: Average annual growth of developed countries' imports of agricultural products (1994-98)

	1990-94			1994-98		
	Total Agricultural Products	Food	Agric. Raw Materials	Total Agricultural Products	Food	Agric. Raw Materials
From All Origins	4.5	5.5	2.5	1.5	2.5	-1
From Developing Countries	6	7	2.5	2	2.5	-0.5

Source: WTO, G/AG/NG/S/6 (23 May 2000).

1.4 Good politics, bad economics

Negotiations of the Agreement on Agriculture had a very large constituency. The farm lobby was too strong to be ignored. In fact, the negotiations on agriculture had serious implications for other UR agreements.²¹ It was particularly so, because negotiations in the UR followed the principle "nothing will be agreed until everything has been agreed." The USA and the EU had taken tough positions in terms of giving concessions to each other. France in the EU represented the protectionist lobby very strongly. It was only after prolonged negotiations between the EC and the USA, followed by an intra-EC ministerial meeting in the final hour of the UR, France accepted the deal on the condition that French farmers would not bear any costs beyond

The rhetoric that “trade and economic gains for all” was subjected to political interests of bigger players

those already imposed beyond the agreed reforms in the EC’s common agricultural policy. The deal proved to be a curtain-raiser to the UR Agreement. A brief statement from the then Prime Minister Edouard Balladur of France rescued the agricultural negotiations. He had said, “Agriculture is no longer an obstacle to agreement in Geneva.” And, he was true. While the EU-US deal encouraged other participants to engage in further talks, this also underlined the need for some kind of settlement between those two trade partners to achieve a breakthrough agreement on the most difficult political issues. Trade and economic interests of other participants become at best a secondary concern for negotiators of these two partners.²² The rhetoric of “trade and economic gains for all” was thus subjected to political interests of bigger players.

In spite of the declining number of farmers, the farm lobby in many countries remains hugely influential

As is evident, the Agreement on Agriculture foresees trade policy reforms in participatory countries. It is a complicated process requiring liberalisation in capital, labour and domestic markets. All these are the necessary attributes of today’s ‘inter-linked economy’. Participation in it is being seen as a key to economic prosperity.²³ However, political costs and benefits of liberalisation have to be taken into consideration. Rendering trade liberalisation politically acceptable is an extremely difficult exercise. And, political constraints of liberalisation are sometimes insurmountable.²⁴ In spite of the declining number of farmers, the farm lobby in many countries remains hugely influential. In many cases, this may be attributed to the over-representation of rural constituencies in the legislature. On the other hand, urban voters tend to show apathy towards politics and even refrain from voting. In Japan, for example, the ruling Liberal Democratic Party has strong roots among a rural population that has become critically important for forming a government.²⁵ And, while the farming population may be falling, the number of people dependent on the large farm associations in Japan (*‘Nokyo’*), which provide everything from life insurance to fertilisers, is still very large.²⁶ In fact, the difficulty in reforming agriculture in Japan can be explained by the dominance of agricultural cooperatives and the nature of Japanese politics, which gives greater weight to the lobbying power of the countryside.

Support provided to the farmers with the objective of maintaining food security eventually led to distortion of an unimaginable scale on international trade in agricultural products

For democratically elected governments, it is very difficult to ignore politically strong pressure groups. This is exactly what is happening in the advanced economies. In fact, developed countries, particularly those in the EU, created an anti-liberalisation bias in agricultural trade through their policy of producer subsidies. This happened in the process of industrialisation, which saw the need for providing more assistance to farmers than to the other producer groups. The intention was to maintain food security. The policy worked. High prices associated with producer subsidies increased food production, even leading to a situation of food surplus in these economies. This created a need for export subsidies as the surplus had to be sold in the international market. In response to these aggressive marketing policies of the EC countries food-importing countries in the developing world started giving protection to their own farmers by the imposition of higher duties, quota restrictions, and other border measures. Obviously, the industrialised countries then realised the need for market liberalisation, of course, with regard to *their* export products. This concern is well expressed in the Agreement on Agriculture.

The opening up of markets in the developing countries is not the only idea behind agricultural liberalisation

However, the opening up of markets in the developing countries is not the only idea behind agricultural liberalisation. The farm support policy itself is becoming unsustainable. Firstly, it has been taxing consumers by artificially raising food prices. Secondly, it has put budgetary pressures on governments. The ever-increasing volume of support to the farm sector has not come without compromising efficiency in resource allocation. Thirdly, it affects welfare programmes and hampers distributive justice. Discriminatory policies in favour of large-scale farms are encouraged under this policy regime. In other words, large-scale producers get the largest share of benefits. Fourthly, it impairs trade competitiveness of non-agricultural producers. And finally, it encourages the tendency to use farm chemicals, creating conditions for environmental degradation.²⁷

Preferential treatment extended to former colonies of the European countries (ACP countries) continues to distort trade

A further political interference in trade matters emanates from the need to meet 'historical obligations' on the part of some developed countries. Substantial trade preferences for favoured suppliers by the EU under the Lome Convention (Box 1.3) may be explained only in these terms. The EU's preference for bananas from the African, Caribbean and Pacific (ACP) Countries over those from Central America is a case in point.²⁸

Box: 1.3

The Lome Convention

The Lome Convention is an international aid and trade agreement between the ACP Group and the EU aimed at supporting the ACP countries. It aims to achieve comprehensive, self-reliant and self-sustained development in these countries. Four such Conventions have been signed to date. The first Convention (Lome I) was signed in 1975. Lome II and III were signed in 1979 and 1985 respectively.

The current Convention, Lome IV was signed in 1990 and covers the period from 1990 to 2000. It is the most extensive development co-operation agreement between North and Southern countries both in terms of scope (aid and trade) and the number of signatories. The convention states that ACP cooperation is to be based on partnership, equality, solidarity, and mutual interest. The convention also recognises the principle of sovereignty and the right of each ACP states to define its own development strategies and policies. The Convention has extensive provisions for trade cooperation, which provide preferential treatment to ACP exports to the EU. The Convention provides non-reciprocal trade preferences. This means that goods from the ACP countries were allowed to enter European markets without tariffs but without a corresponding treatment.

Meanwhile, the Lome Convention is being seen as incompatible with the WTO. Negotiations between the EU and the ACP countries are going on. The main agenda is how to allow the ACP countries some trade concessions without having to breach the WTO norms.

Source: *EcoNews Africa*, Vol. 4, No. 14, 30 August 1995.

Developing countries join the AoA hoping that the intended elimination of subsidies under the Agreement would create a more favourable trading environment for them

Why did, then, the developing countries join the Agreement? The reasons are simple, and purely economic. They are, however, different for exporters and importers of food. Developing country exporters saw their market share stagnate in the subsidy-dominated policy regime. In other words, they were not able to compete with developed country suppliers, who had received state subsidies. The intended elimination of subsidies under the Agreement would create a more favourable trading environment for them.²⁹ On the other hand, food-importing

developing countries endorsed the Agreement as they were promised a better food security environment with it. At the same time, it was hoped that the new market conditions (wide access for exports, high cost of imports) would motivate these countries to boost agricultural production at home and mitigate the costs of import. This is, however, yet to happen.

1.5 The AoA and the SAARC countries

The Agreement on Agriculture has a special bearing on the SAARC economies. All of them are developing countries, with four – Nepal, Bhutan, Bangladesh, and the Maldives – ‘enjoying’ the LDC status. Nepal and Bhutan are not yet members of the WTO. However, as they are in the process of accession they will have to adjust themselves to the requirements of the multilateral trading system.

Agriculture is the main economic activity in the SAARC region. Its contribution to national economy as a percentage of GDP is 40 in Nepal, 23 in Bangladesh, 25 in India and Pakistan, 22 in Sri Lanka, and 38 in Bhutan.³⁰ Agriculture is also the main source of employment. It forms the major component of merchandise exports from these countries. Cereals, beverages (mainly tea), spices, fruits and vegetables, cotton, and jute products are the main agricultural exports. Despite the prominence of agriculture, its growth has been moderate, in some cases even negative. On the other hand, they fluctuate significantly depending mainly upon weather conditions (Table 1.3).

Table 1.3: Growth rates of agriculture in SAARC countries (1993-1997)

	1993	1994	1995	1996	1997
Bangladesh	0.7	-0.6	3.4	6.1	3.0
Bhutan	3.9	4	6.4	3.1	3.4
India	5.4	0.2	9.4	-1.0	5.3
Maldives	2.4	1.3	1.7	1.3	1.9
Nepal	7.6	-0.3	4.4	4.1	1.1
Pakistan	5.2	6.6	5.3	0.7	5.8
Sri Lanka	3.3	3.4	-4.6	3.1	3.5

Source: ADB 1999a: 18

The 1990s saw two important trends in the SAARC countries. They are: progressive liberalisation of trade and preferential trade arrangements with regional partners. Both of them are related to the WTO system, although they started before it came into being. A closer look into these trends would be in order.

1.5.1 Agricultural liberalisation and its challenges

In Bangladesh, trade liberalisation began in early 1990s. As a result, external trade rose sharply, with a growth rate of 16.8 per cent in 1998, which is one of the highest in Asia. However, trade in agricultural products has not been very encouraging. In fact, exports of jute products and frozen foods have fallen in the recent years.³¹ Although relatively free under Article 6 of the AoA to investment in its agriculture sector and control imports, Bangladesh has not seen an expansion in its access to overseas markets since the AoA came into effect. Tariff escalation, albeit reduced by the AoA, remains a problem. An OECD paper for the WTO’s High Level Meeting for LDCs in October 1997 shows that tariff escalation continues to affect many products, including tea, fish products and jute, all of which are important exports for Bangladesh.³²

South Asian economies are primarily agrarian with significant contribution of this sector in their respective GDPs

In Bangladesh, trade in agricultural products has not been very encouraging, tariff escalation being one of the contributing factors

India began its trade liberalisation in 1991, focusing on reforms in the exchange rate mechanism. The prime objective was to enhance the country's export competitiveness. The process of rationalisation and simplification of the tariff structure was also initiated as part of the trade liberalisation programme. For example, the Budget for 1991-92 brought down the highest tariffs and customs duties from 300 per cent to 150 per cent. In the subsequent years, they were further rationalised.³³ Despite initial success, India's growth of exports has been on the decline since 1996. On the other hand, the growth of imports has been faster, widening trade imbalance (\$8.1 billion in 1998) in a significant manner. As a policy recommendation for economic management, international financial institutions are suggesting, among others, to bring down agricultural subsidies such as food and fertiliser subsidies.³⁴

Removal of QRs, tariffication and decline in the area under food crops are some of the areas which could result in serious setback in Indian agriculture as warned by some analyses

Some of the analyses have predicted that the removal of quantitative restrictions on agricultural products along with tariffication is certain to hit the long term sustainability of India's agricultural sector and thereby adversely impact the country's food security. It is also feared that due to the provision of AoA it will not be easy for the Indian government to intervene in the market to maintain food security. Concern about decline in area under food crop, especially after the onset of liberalisation, has also been expressed by some.³⁵

Nepal's agriculture performance is not encouraging, however the Agriculture Perspective Plan may offer some hope

Nepal's new government formed after the political change in favour of multiparty democracy in 1990 reversed the trade policies pursued within the framework of an approach to industrialisation based on import substitution. All successive governments have emphasised economic liberalisation, including financial deregulation, trade liberalisation, and fiscal reforms. In the area of trade liberalisation, elimination of quantitative restrictions and import licenses as well as reduction and rationalisation of tariffs have been the major achievement.³⁶ As a result, the peak tariff rate has been reduced from over 400 per cent in the 1980s to 80 per cent in 1999. This has improved trade performance in general. However, the encouraging trends seen in the initial years of reforms could not be sustained. The overall economic performance has been deteriorating after the mid-1990s. The year 1998 saw a growth rate of 1.9 per cent, the lowest in more than a decade. And, the agriculture sector particularly performed badly.³⁷ The government wants to bring improvements in the situation through the implementation of the Agricultural Perspective Plan, introduced in 1995 with a vision for the next 20 years.³⁸ Its success is critical for achieving a better performance of the national economy.

As Nepal's trade with India accounts for nearly 40 per cent (1999/2000) of its total trade, improvement in the balance of trade depends much upon its trade performance vis-à-vis India. Exports to India consist mainly of agricultural products such as vegetable oils, skin, and cereals.

Rise in input prices resulting from devaluation of their currency is likely to put additional burden on Pakistan's agriculture sector

Pakistan has been introducing financial sector reform with fiscal stability as its main objective. As debt servicing constitutes a major problem, the government wants to lay stress on export promotion. The agriculture sector is very important in this context. Agriculture not only accounts for a quarter of GDP but also absorbs two-thirds of the rural labour force. And, more than 60 per cent of Pakistan's exports come from this sector. The recent foreign exchange crisis (which cropped up as a result of nuclear tests) has affected the agriculture sector most as financing imports of fertilisers has been difficult.³⁹

In order to ensure sustainable agriculture growth Sri Lanka needs to emphasise natural resource management

Improvement in agricultural productivity is a priority in Sri Lanka, which is traditionally a liberal economy. In 1998, the agriculture sector recorded a growth rate of 3.5 per cent. Improvement is needed in export competitiveness of agricultural products. Major problems in this area include the provision of support to the private sector in processing and marketing of agricultural products. It is also important to achieve sustainability in agricultural growth. This requires policies that emphasise natural resource management with a focus on soil conservation and water resource management.⁴⁰

Liberalisation of food import seems to have created problem due to massive surge of imports

However, opening of the economy for agricultural import seems to have created havoc for Sri Lankan agriculture. Kwa (2000) argues that there have been marginal increases in exports as a result of post-UR improved market access. However, the exports have not come close to matching the import increases. According to FAO study, the impact of AoA has been more pronounced in the area of food imports. Food imports have witnessed significant increases since 1996 as a result of tariffication and the relatively low tariff bindings for these products. The surge in imports has led to a decline in domestic production in a number of food products, resulting in a clear drop in rural employment. It was reported that a loss of 300,000 jobs occurred as a result of a drop in production of onions and potatoes.⁴¹

Of late, Bhutan recorded satisfactory growth in agriculture sector

In the recent years, Bhutan is doing relatively well in terms of trade performance. Exports consisting mainly of agricultural products grew by 12 per cent in 1998. On the other hand, imports growth has been slower resulting in improved trade balance.⁴²

Maldives' agriculture performance is satisfactory, but challenge lies in sustainably managing its fishery sector

Similarly, the tiny island-state of Maldives has achieved a considerable success in reducing fiscal deficit. The fisheries industry, the major sector of the economy, grew by three per cent in 1998. While this industry (together with tourism) has been crucial for the high economic growth rates so far, this has also rendered the island's economy vulnerable to external pressures. Also, protection of the environment is posing a major challenge.⁴³

Majority of the 5,000 SAPTA-induced preferential products are agro-based

1.5.2 Preferential trading arrangements

The SAARC countries have agreed to establish a preferential trading system in the form of South Asian Preferential Trading Arrangement (SAPTA). The SAPTA accord, signed in 1995, requires Member countries to exchange 'offer lists' for imports from within them. Acceptance of these lists means that the countries concerned would grant preferential treatment to export items on the list. Three rounds of trade negotiations have taken place so far, and some 5000 items are on the preferential list. They include many agro-based products. The SAPTA process should culminate in the establishment of South Asian Free Trade Area (SAFTA) within the SAARC region.

Preferential or free trade arrangements exist also at the bilateral level. For example, trade relations between Nepal and India are determined by the Treaty of Trade signed between the two countries in 1996. Similarly, India and Sri Lanka have signed a free trade agreement in 1998, which entered into force in March 2000. Talks on sub-regional cooperation as well as growth quadrangle are also going on, but none of them have so far taken any practical shape.

1.5.3 Implications of the Agreement on Agriculture

Of the three major components of the Agreement on Agriculture – market access, domestic support, and export competition – market access has major policy implications for the SAARC countries. As all of these countries have per capita incomes below US\$ 1,000, they are not bound by subsidy commitments. It is true that agricultural subsidies, especially production subsidies, are being heavily slashed in these countries within the framework of the liberalisation programmes cited above. However, it is not a WTO requirement.

Bound tariffs on agricultural products are very high in India, Pakistan and Bangladesh

The provisions on market access demand, as seen above, tariffication, tariff binding, and progressive liberalisation. In the areas of tariffication and tariff binding, the SAARC countries have followed the practice of over-estimating tariff equivalents of non-tariff barriers and binding them at much higher rates than applied. Bangladesh has, for example, bound its tariff rates for most agricultural products at 200 per cent. In case of India, Pakistan, and Sri Lanka, most bound rates range between 200 and 300 per cent reaching in some cases up to 350 per cent. Also, a quota regime is unwanted in the WTO system. Most SAARC countries had dismantled it before the WTO was established. India is an exception with a strong quota system for imports. This can remain in place only until April 2001. Agricultural products now under quantitative restrictions in India include meat, fish, dairy products, tea, and coffee.⁴⁴ These products will now have to face import competition. However, there is still the possibility to give some degree of protection through state trading enterprises.

The acceding members from South Asia, namely, Nepal and Bhutan are likely to face some difficulties in multilateral and bilateral negotiations

As acceding members, Nepal and Bhutan will have to face some difficulties in multilateral and bilateral negotiations. For example, they will not be enjoying the privilege of having very high ceiling bindings. They will have to bind at much lower rates than those in other SAARC countries, although it depends much upon their negotiation capacity. Nepal's problem is more severe, as the existing tariffs on most agriculture products range between zero and 10 percent. During a recent meeting with Nepalese negotiating team, Quad Group, Australia and New Zealand have already hinted Nepal that they would like to see the tariff bound at the existing level. It is important to note that the WTO system does not accept the same level of commitments from acceding countries as was set for its founding members. In this sense, it is discriminatory. On the other hand, Nepal and Bhutan will be exempt from reduction commitments as LDCs. Bangladesh is already enjoying this facility.

Due to extremely protective nature of agricultural trade in the developed countries, SAARC countries' export market has not widened as promised

Has the Agreement widened the export market for the SAARC countries as promised? There are at least three aspects to be examined in this context. Firstly, developed countries have remained, as already explained, too protective of their markets be it through high tariff walls, especially for developing country exports, or through the circumvention of the provisions of the Agreement, including the elimination of subsidies. Secondly, exports from the SAARC countries have been hit by the imposition of non-tariff barriers. The EU banned, for instance, the import of frozen shrimp from Bangladesh on grounds of sanitary regulations. Similarly, EU's technical standards are affecting Indian coffee and tea exports as they are said to contain excessive pesticide residue. The USA has been subjecting Indian exports of meat, fish, diary products, vegetables, and fruits to the provisions of the SPS Agreement. Japan is doing the same on the import of fish and tea from India. Sri Lanka too, is facing non-tariff barriers for its exports of tea, coconut, and fish products to developed country markets.

Inability of SAARC countries to overcome supply side constraints has hindered the prospects for greater exports of agricultural products

Thirdly, the SAARC countries have not been able to overcome the supply-side constraints, which would require a proactive policy environment. Lack of political stability, inadequate infrastructural facilities, and poor governance impair the state's capacity to act in the SAARC region. The SAARC countries have, thus, not been able to make much out of the Agreement on Agriculture. But, they have certainly opened up their markets for the more advanced economies. With the elimination or reduction of subsidies, prices for agricultural products are bound to rise in the developed countries. And, they need new markets for their high-price products. The SAARC countries will have to pay these prices without commensurate improvements in their income levels.

The Agreement has also implications for food security in the region. This issue will be dealt with later in a separate section.

Acceding countries will not have much choice, since they are going to enter the WTO under its terms and conditions at the time of accession

Apart from these economic considerations, the Agreement has its own political value, so to say. Political perspectives are, however, different for WTO Members and non-members from the SAARC region. It seems that Nepal and Bhutan, the non-members, attach greater importance to joining the WTO, which would automatically mean that they have endorsed the Agreement. The WTO membership would enhance their prestige. It is, therefore, not very 'important' for them to go into the details of the Agreement in order to get what is their due. The WTO membership itself would offer a trade-off against any loss, if at all. The much hyped subject of zero-duty entry for LDC exports into the developed country markets has been an additional sop for the domestic stakeholders. Understandably, they are for a quick accession. Nepal has even been lobbying for a 'fast track' for LDCs.⁴⁵ However, many civil society organisations are not buying these arguments in their face value. They have a more critical stand. In a country like Nepal where the electorate is more or less indifferent on such issues, an active presence of civil society organisations in policy dialogues becomes very important. While Nepal is already benefiting from it⁴⁶, Bhutan has yet to realise the importance of civil society's engagement in designing public policies.

Political leadership in most South Asian countries is aware of the need to conceive a comprehensive strategy for integrating the agriculture sector into the world market

The other SAARC countries are getting disenchanted with the provisions of the Agreement. In India, for example, there is a special concern over export subsidies provided by developed countries, especially in dairy products, sugar, and cereals. On the other hand, the Indian farm lobby has warned the government of *dire consequences* if imports are freed (which has to be done under the Agreement) without creating a necessary framework to enable Indian farmers to get access to new markets. This has made the political leadership aware of the need to conceive a comprehensive strategy for integrating the agriculture sector into the world market.⁴⁷ As we will see later, they are trying to accommodate their views in the proposed review of the Agreement. Again here, the civil society has played an important role.

As indicated above in the context of developed countries, agricultural liberalisation is politically difficult to implement. This applies also to the developing countries. There are strong arguments in favour of the Agreement on Agriculture. They are based on the assumption that the difference in AMS between developed and developing countries is so significant that any AMS reduction in the former group of countries would come as a benefit to the latter. AMS is as high as 70 per cent for some developed countries whereas it is often negative for developing countries like those in the SAARC region.

High tariffs for manufacturing combined with export restrictions on agricultural products encourage an incentive structure that taxes rather than protects agriculture in these countries.⁴⁸ This creates a substantial price gap between the two groups of countries. For example, a comparison of food prices between India and the USA shows that in the case of fruits and vegetables, cereals, and vegetable oils, the US prices are four to ten times the Indian prices.⁴⁹ In this case, an economist from India would probably argue for lifting all restrictions on the export of these commodities so that Indian producers would be rewarded with higher prices. In practice, however, this does not happen. In politics, long-term gains are often sacrificed for short-term benefits.⁵⁰

Issues for comments

- Is it really possible that Agreement on Agriculture bring “more discipline and predictability to world agricultural trade” as envisaged during the Uruguay Round negotiations?
- What are the implications for the developing countries due to the “trade interests” being overshadowed by “political interests” in the Agreement?
- What new provisions should be incorporated in the AoA so that the LDCs are better integrated into the multilateral trading system?
- What are the interests of SAARC countries, including the least developed among them, in the Agreement?
- Can one visualise the possibility of a common position of the SAARC countries in relation to the Agreement?

CHAPTER – II

POSITIONS OF DIFFERENT COUNTRIES AND COUNTRY GROUPS

2.1 Main actors

Different groups of countries have consistently followed and defended their positions in relation to agricultural liberalisation

As is evident from the foregoing discussion, countries are divided over what degree of liberalisation should be pursued in agricultural trade. The chief sponsor of agricultural negotiations was the United States. The Cairns Group, the ‘fair trading countries’, supported the US initiative. Most of the European countries, Japan, Korea and a number of developing countries were on the defensive. These positions remain, more or less, unchanged. The consistency of positions different lobbies have followed so far is remarkable. A brief review of the respective positions of these countries will be attempted below.

2.2 The pro-liberalisation lobby

2.2.1 The United States of America

The United States sees agricultural liberalisation as a compelling step. As a highly competitive producer of cereals, meat, and a wide range of other agricultural products, the US wishes to see the international market for agricultural products liberalised. Already during the UR negotiations, the US had proposed a “complete phase-out over 10 years of all agricultural subsidies, which directly or indirectly affect trade”. This proposal included the phase-out of export subsidies. Interestingly, the US itself was providing heavy subsidies for exports, particularly grains. This apparent contradiction was explained in terms of the need to match the subsidy practices of others, including the European Commission. On the other hand, the US was putting some restrictions on the import of dairy products, sugar, and cotton on the basis of a GATT waiver. Reforms would, therefore, have to be introduced also in the import front.

Despite occasional leaning towards protectionism, US position, by and large, has been in favour of liberalisation of this sector

The US proposed a two-stage process for these reforms. The first stage would involve establishing each country’s aggregate measurement of support (AMS), bringing all forms of supports together. They are market price support (import quotas, tariffs, export subsidies and credits), income support (deficiency payments and acreage payments), and other supports (subsidies for insurance, fuel, fertiliser, and marketing programmes). The proposal covered all agricultural commodities, including food, beverages, forest products, and fish products. The second stage would see policy changes directed towards reducing these supports to zero over a period of 10 years. In addition to the three issues of tariff reduction, elimination of export subsidies, and reduction of domestic support, the USA wants to ensure market access for biotechnology, as the US position at the Seattle Ministerial Conference showed.

Many countries considered the US proposal as 'too ambitious'. In fact, it indicated that the Americans wanted the agricultural trade to be more liberalised than the trade in industrial products, or services. Even the Cairns Group felt that the US was going too far in pursuing agricultural liberalisation.⁵¹

When one compares this position with the recent submission of the US government to the WTO, one finds that market orientation of agriculture is still high on the agenda of US negotiators. On the other hand, the US presents itself as committed in eliminating trade-distorting measures, while at the same time supporting policies that address non-trade concerns, including food security, resource conservation, rural development, and environmental protection.

US also supports enhanced market access for farm products and greater export competition

For an enhanced market access, the US proposes a substantial reduction of tariffs and a complete elimination of tariff escalation. Similarly, it supports a simplified tariff structure. So much so that the US wants even to get rid of the provision for transitional special safeguards of the Agreement on Agriculture.

With a view to promoting export competition, the US has positioned itself against export subsidies, proposing to bring them down to zero through progressive implementation of annual reduction commitments. Further, no export taxes should be levied on export items.

Asia Pacific Economic Cooperation (APEC), the boldest initiative ever on trade liberalisation covering Pacific rim countries, was used as an important bargaining tool by the US during the Uruguay Round, to convince the EU to compromise on agricultural protection. A lot of effort was put into making APEC a dynamic and innovative grouping.

The US also recognises the need for capacity building in developing countries to enhance their competitiveness. In this regard, it would cooperate with developing countries to take advantage of the broad range of programmes offered by international organisations, bilateral aid agencies, and other entities including programmes under the Integrated Framework for Least-developed Countries.

Despite the fact that US supports the liberal policy, its proposal cannot be accepted in its face value

In addition, the US has expressed its willingness to provide market access to products of interest to developing countries, in particular least-developed countries, and to give special consideration to LDCs while adjusting the tariff structure with the WTO system.⁵² However, it resists the move to grant special treatment for certain sectors.

However, the US proposal may not be accepted in its face value. In practice, much of protection for the farming community can still be observed. The issue of dirty tariffication has already been discussed. There is also a tendency to continue with agricultural subsidies in whatever form possible. For instance, the US FAIR Act of 1996 has reorganised the provision of agricultural subsidies in such a way as to make them more compatible with the AoA. In fact, the US government is trying to shift its blue box subsidies to the green box through a provision of 'block subsidies' for farmers. This may allow the US to press hard for large AMS cuts, a position likely to be endorsed by the Cairns Group.

There is a debate over the mandated review of the Agreement on Agriculture. Countries are divided over whether or not the review should take place without an understanding among WTO Members to launch a comprehensive trade round. The US maintains that the review should go ahead with or without the comprehensive round.

2.2.2 The Cairns Group

The Cairns Group of 18 agriculture exporting countries has effectively put agriculture on the multilateral trade agenda and sustained it there. The Group played a very effective role in preparing a framework for reform in agricultural trade. Following the conclusion of the Uruguay Round, the Group has continued to push for fair trade in agricultural exports. By acting collectively, the Group has had more influence and impact on the agricultural negotiations than any individual Members could have had independently.

Cairns Group, which accounts for one third of the world's agricultural exports, is generally happy with the outcome of the Uruguay Round

The Group accounts for one third of the world's agricultural exports. It is generally satisfied with the Uruguay Round outcomes. However, the Group wants more liberalisation for a genuine market-oriented approach to agricultural policies. Following the conclusion of the Uruguay Round, the Group has been working successfully in Geneva for early implementation of the WTO agreements relating to agriculture. It insists on strong operational rules for the Committee on Agriculture and the Committee on Sanitary and Phytosanitary measures.

The group is in favour of further reform in this sector and to bring this sector within the normal discipline of the GATT

With regard to further multilateral negotiations on agriculture, the Group maintains that it is essential to ensure that the negotiations make genuine progress towards further agricultural reform and are not unnecessarily protracted. The 'vision statement' of the group (agreed in 1988) outlines its reform goals in three areas within the Uruguay Round framework. They include (a) deep cuts to all tariffs (including tariff peaks), (b) the redressing of tariff escalation, and (c) the elimination of all trade-distorting domestic and export subsidies. Further, the statement demands clear rules to prevent circumvention of export subsidy commitments. It is important to note that the Group is also against any subsidy elements contributing to unfair export competition measures including, export credits, export credit guarantees or insurance programs and non-commercial transactions. The Group sees export subsidies not only as trade-distorting but also as a factor for social unrest and environmental degradation (box 2.1). The Cairns Group and the United States support efforts to move agriculture fully to the normal WTO rules as soon as possible, with additional substantial reductions in existing bound levels of tariff protection.

Box: 2.1

Cairns Group on export subsidies

Export subsidies are the most trade-distorting agricultural policies and damage both developed and developing countries. By depressing and destabilising international market prices, the use of export subsidies by a small number of countries lowers farm incomes in other exporting countries and harms local production in food-importing countries. They undermine environmentally sustainable production methods by farmers in developing countries.

Moreover, many developing countries have large, even vast, rural populations making their living off working the land. Export subsidies force them to compete with the richest treasuries, contributing to increased rural poverty, the swelling of overcrowded cities and the promotion of social unrest.

Source: WTO Negotiations on Agriculture, Cairns Group Negotiating Proposal (June 2000).

In order to ensure that the reform process continues during the course of the WTO negotiations, the Group expects that countries entitled to use export subsidies show maximum restraint and reduce the extent to which they utilise them. It doesn't even accept the concept of multifunctionality. If at all, the Group sees the benefits of multifunctionality coming from other measures than production subsidies and trade restrictions.

The Group also supports the principle of special and differential treatment for developing countries (including least-developed countries) and for small states. Cairns Group ministers agreed that the framework for liberalisation must continue to support the economic development needs, including technical assistance requirements, of developing and small Members.

The Group is of the view that agricultural liberalisation was a part of the "promise of continuation to reform" which cannot be linked to any other reform processes within the WTO

The Group has been emphasising its commitment to achieving a fair and market-oriented agricultural trading system as sought by the AoA. Also to the Group, the mandated review of the Agreement on Agriculture is a 'stand alone' issue, as opposed to "single undertaking". In other words, further negotiations should not be linked to any other subject. The Group maintains that the agricultural negotiations were part of the "promise of continuation of reform" in this sector and that "this was not contingent in any way on other negotiations".

The Group opposes restrictions on food export, which would limit the supply of agricultural products, creating problems for food-importing countries. 'Responsible liberalisation' has been the Group's motto. However, because of the snail-paced reform in the agriculture sector the Cairns Group was able to issue its 'Vision Statement' in 1998 with no need for alteration now. The goals identified then were to ensure that agricultural trade occurs on the same basis as trade in other goods, with three specific targets: the elimination of export subsidies; market access must be on the same basis as for other goods (i.e. protection only via tariffs, the relaxation of tariff quotas and the smoothing of tariff peaks); and major reductions in trade-distorting domestic support.⁵³

2.3 The protectionist camp

2.3.1 The European Union

European Union do not want to disrupt the status quo, and bring this sector in the normal discipline of the GATT

As the second largest exporter of food products, the EU maintain a wide range of export subsidy programmes. They are, therefore, in favour of continuing with the current framework of the Agreement, including green box and blue box subsidies. They seek to defend existing practices including the reforms announced in its Agenda 2000, and the 'blue box', while seeking better access to others' markets, and an agreement to end the use of export credits.

The EU also want recognition of the multifunctional role of agriculture. They are supporting their stand for the policy of maintaining the blue box subsidies though a study undertaken by OECD indicates that support given to producers in one country spills over to other countries through trade and world prices.⁵⁴ Unlike the pro-liberalisation lobby, the EU are in favour of 'progressive' liberalisation of agricultural support.⁵⁵ The blue box subsidies are themselves in line with the common agricultural policy (CAP) adopted by the EU. However, there are new initiatives to introduce elements of liberalisation in the CAP. The latest reform in CAP, 'Agenda 2000' (box 2.2), is an example. The Agenda is expected to improve the possibility for farmers to react to market signals. Understandably, it has been strongly resisted by farmers,

especially in France. However, the position of the EU that its agricultural reforms under Agenda 2000 are non-negotiable, creates problems for other countries.⁵⁶ At the same time, the EU do not call into question the trade impact of amber box measures and the need for further reduction commitments on such measures. As the biggest importer, and second biggest exporter of agricultural products, the EU are interested, at least officially, in lowering trade barriers, and obtaining improved market opportunities for their exporters in balance with increased access to the EU market. In addition, the EU also want progress on non-tariff issues, including consumer protection against misleading labelling.

Box: 2.2

Common Agricultural Policy and Agenda 2000

A Common Agricultural Policy (CAP) within the EEC countries was established in 1962, which consisted of a system of common guaranteed prices that would offer protection against agricultural imports from lower-cost markets outside the EEC. Because of the high cost of price supports and the resentment of the manufacturing countries, which felt that they were being forced to subsidise inefficient agriculture, the community in 1979 agreed to gradually eliminate the subsidies, replacing them with an intervention price designed to prevent agricultural prices from falling below fixed levels.

Over the last 40 years the CAP has aimed at increasing agricultural productivity both on farm level and EU wide. This policy of 'structural change in agriculture', allowed production of surplus food and improved the income of some farmers, creating capital and energy intensive, highly specialised farms. The policy tools that promoted this development were price and market guarantees and farm-based support programmes. Moreover, consolidation of farmland played an important role as did the pre-production agricultural industry (fertilisers, pesticides, food stuffs and animal pharmaceuticals) and technology.

Given the high budgetary costs involved in the CAP, the problems of environmental degradation, and the need for ensuring trade competitiveness of agricultural products from its member countries the EU adopted a new CAP, dubbed as Agenda 2000. In fact, citizens in the countries were themselves getting very critical of the CAP. Against this background, one of the major objectives of Agenda 2000 has been "to make the CAP more acceptable to the average citizen – to the consumer".

Further, the new CAP intends to "deepen and widen the 1992 reform by replacing price support measures with direct aid payments and accompanying this process by a consistent rural policy". The main thrusts of the Agenda 2000 are cuts in direct price support, provision for direct area support, focus on the environment. It also intends to avoid the 'over-subsidisation' of individual groups or producers.

However, the new CAP is drawing criticism not only from outsiders but also from citizens within the EU itself. The main argument is that the over-emphasis on production comes at the cost of environment and sustainability. The instruments might have changed, but the underlying philosophy remains the same.

Sources: <http://www.kverneland.com>; <http://www.europa.eu.int>; <http://www.britanicca.com>

In addition the EU offer some trade concessions to developing nations in its Generalised System of Preferences (GSP). However, the entire world trading system is being gradually reformed in the direction of free trade. In this context, GSP will not remain as an effective instrument for preferential trade.

EU's desire to link the agriculture negotiation to the launching of a new round of trade talks has created a lot of tension

With regard to the mandated review of the AoA, the EU (supported by Japan), give the impression that they would like to take the negotiation process forward. However, they would allow progress only on the basis of progress towards the launching of a new 'comprehensive round' of multilateral trade negotiations including the new issues pushed by them. They include, in particular, investment and competition policy. In other words, they would like to see that multi-national companies are able to compete with domestic enterprises.⁵⁷ The specific justifications for a comprehensive round are to convince European citizens that the EU are liberalising their market while keeping in mind their basic concerns and to ensure balance with the built-in agenda for agriculture and services.

On export competition, the EU seem ready to move towards more equal terms of competition, but the issues involved are much broader than simple reduction in export subsidies. They include, for example, other instruments affecting export competition (e.g., US export credits). As for special and differential treatment for developing countries, the EU are committed to move in partnership with other developed countries towards a situation where 'everything but arms' emanating from the LDCs could enter their markets free of tariffs and free of quotas.⁵⁸

It is, however, clear that the EU would use all tactics to gain time to decide for themselves (in terms of their own budget etc.) what further they should do in relation to their CAP reform, and the process of opening up to east Europe. They want then to negotiate with the US to reflect this in a WTO accord and present it to others on a take-it-or-leave-it basis, as happened at the end of the Uruguay Round.⁵⁹

The EU are concentrating together with Japan on the words in the Agreement, which are most supportive of their intention not to alter any of their existing distortions. They are basing their arguments on Article 20 (C), which foresees that future negotiations will take into account non-trade concerns.

2.3.2 Japan and Korea

Japan, like EU, seeks recognition of the multifunctional role of agriculture, its main objective apparently being food security

Japan is seeking to form an alliance with the Republic of Korea on the agricultural issue. Japan, like the EU, seeks recognition of the multifunctionality of agriculture, although it is less interested in being allowed to use export subsidies than in achieving 'food security'.⁶⁰

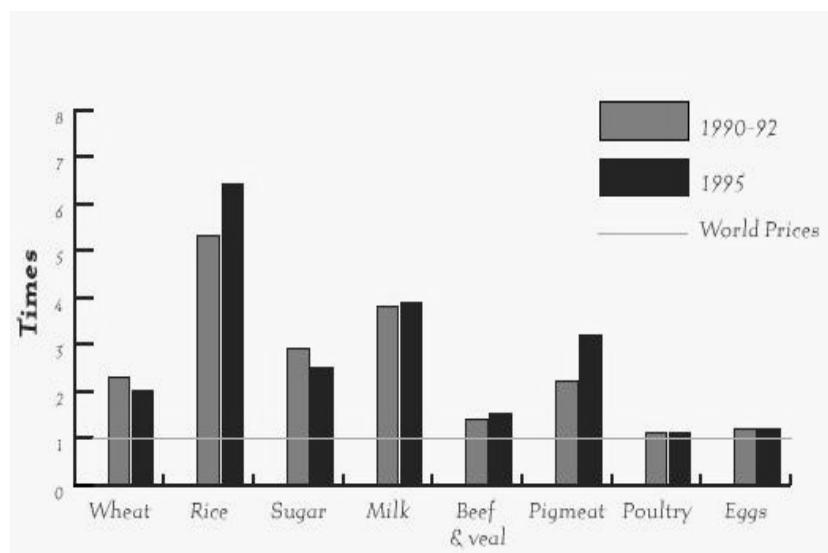
Japan and South Korea are probably the strongest allies of protectionism in agricultural trade. Traditionally, the Japanese agriculture was highly protected. Protection has persisted despite repeated criticism from Japan's trading partners. Agriculture now makes up less than 2% of GDP. The policy of protection has been very costly for consumers. Prices of food products have remained much higher in Japan than in the world market (fig. 2.1). The political influence of farmers and associated groups such as cooperatives has been very strong in Japan. They have also been able to achieve some of the highest protection levels in the industrialised world.

Japan and Korea being the members of APEC, their protectionist overtones could even hurt the APEC process

Food security has been presented as the number one goal. Self-sufficiency in food has been encouraged through import restrictions. The state is heavily involved in controlling the supply and prices of some commodities in the domestic market. Farmers have been offered subsidised interest rates to purchase machinery and construct production facilities.

Japan's international commitments to introduce liberalisation in agricultural trade notwithstanding, domestic support for change has been much weaker. The position taken by Japan and Korea (both APEC members) is even being seen as a threat to APEC's Bogor Declaration, which foresees free trade by 2010 for developed economies, and 2020 for developing economies.

Fig. 2.1: High prices for Japanese Consumers



Source: RIRDC 1999.

The Japanese argue that opening up the agricultural market is not just a question of increasing trade. Rice and paddies help preserve the landscape, which in turn, controls disasters such as flooding caused by over-development.

However, in the context of Japan's trade relations with its international trading partners, the term *gaiatsu* [foreign pressure] has gained wide currency to signify the demands and requests of other nations for Japan to introduce various policy adjustments to satisfy external interests. This is happening also in the agricultural trade. 'Foreign pressure' for agricultural liberalisation came mainly from the USA and the GATT. It provided both the initial impetus and continuing momentum for market opening. It is on the basis of such pressures the domestic pro-liberalisation forces could mobilise support for their cause. They have even been influencing the domestic political equation by altering the relative balance of power between pro- and anti-agricultural protection groups and changing the calculations of the Japanese political leadership with respect to the likely political costs and benefits of change.⁶¹

Japanese consumers are now questioning the wisdom of having to pay prices much higher than international prices in the name of protecting the farmers

In the past, Japanese policymakers had been able to sustain economically costly policies to promote food security and redistribute income to farmers. In the wake of high growth rates, consumers in the past did not complain much about high prices. This has, however, changed. The agriculture sector has continued to shrink as farming is increasingly becoming a part-time job. The economy is in a severe recession. Food prices are now an issue for Japanese consumers, and they are questioning the wisdom of having to pay prices much higher than in the international market. When recent import liberalisation brought lower prices for beef and some other products, consumers welcomed this by increasing consumption.

Basic Law on Food, enacted in 1999, aims to make Japanese food sector more market oriented and WTO compatible

It is against this background that a new Basic Law on Food, Agriculture and Rural Areas was passed in 1999 promising agricultural reform.⁶² The Law includes changes in Japan's agricultural trade policies. The changes resulted from pressures from its trading partners and from Japanese business interest groups and consumers. The new Basic Law aims to make Japanese agriculture more market oriented and WTO-consistent by restoring the price mechanism and giving farmers payments that are decoupled from production, rather than using import controls. These changes indicate that Japan is not in a mood to continue with agricultural protection 'at any cost'. The new law still contains provisions that promote self-sufficiency and agriculture's multifunctional role. These are still major policy goals in Japan.⁶³ Japan's new move toward providing farmers with income support rather than price support can be compared with the new common agricultural policy of the EU.

During the Uruguay Round negotiations, Japan committed itself to convert some agricultural non-tariff measures, such as quantitative restrictions, to tariffs. Tariff quotas were applied to guarantee a certain minimum access for imports. Rice was exempted from tariffication as long as Japan increased minimum market access to four percent of the base domestic market and then increased access to eight percent. This proved too hard for Japan and tariffication was introduced in 1999 at prohibitively high levels, which actually lowered market access. This and other developments suggest that Japan's Uruguay Round commitments are likely to lead to little liberalisation, although tariffication at least makes the high levels of protection more transparent, and provides a base for future multilateral reductions.

Korea too has been opening up its market for agricultural products, the major reason for this being external pressure rather than efficiency or consumer welfare consideration

Also Korea has been opening up its market for agricultural products. Major factor behind the on-going reforms is, again, external pressure rather than efficiency considerations or consumer welfare. In lieu of fixing tariffs for rice, Korea undertook to expand its minimum access commitment. As a result, rice imports will rise from one to four per cent of domestic consumption over a 10-year period. While Korea does not grant subsidies in the form of direct payments to farmers, assistance is extended primarily through tax breaks and concessional interest rates. Korea plans to phase out all prohibited subsidies by 2002. All rates have been bound for farm items, as required under the WTO Agreement. However, the degree of protection is still too high. As a result, domestic prices exceed their world market equivalents by several hundred percent. For example, the soybean prices are about seven times the world market price. And, there have been no signs of decline.⁶⁴

2.4 Position of SAARC countries: towards a development box?

Developing countries are not receiving the benefits promised by agriculture reform during the Uruguay Round, South Asian countries included

In contrast to what was originally foreseen, developing countries are not receiving the benefits in terms of market access on agriculture. However, there has always been a promise of further negotiations on a gradual elimination of state protection for agricultural trade. While it is important to achieve this objective, it is also necessary to see that the special interests of developing and least-developed countries are well represented in a multilateral trading system. There is a need to accommodate this principle in the AoA.

Agriculture is not merely a trade issue in South Asia, it has implications for food security, national security as well as economic stability

During the Uruguay Round negotiations, developing countries could not play an effective role. They were not able to take advantage of their numerical strength. In some ways, this is still happening. However, the mandated review of the Agreement (as part of a comprehensive round or as a stand-alone issue) offers new opportunities for developing countries to pursue their 'enlightened self-interests'. This applies also to the SAARC countries.

The proposal advanced by the developing countries, including some from the South Asia, for including a development box within the AoA, speaks of the need to provide flexibility to the developing countries to meet their food security needs

The Uruguay Round negotiations acknowledge that developing countries have different economic, financial, technological and developmental circumstances from those in the developed countries. Special advantages must therefore be given to them. It is all the more important in the agriculture sector. Agriculture is not just a trade issue for developing countries. It has implications for food security, national security, and political as well as economic stability.⁶⁵ It is against this background that some developing countries and their sympathisers in developed countries are arguing in favour of a 'development box' in the Agreement on Agriculture. They are emphasising that key products, especially food staples, need to be exempted from liberalisation, and the domestic production capacity of developing countries must be encouraged rather than destroyed on the basis of non-competitiveness. They maintain that food security is also inextricably linked to national security and political sovereignty as chronic food insecurity would put national security in jeopardy by placing people's health at risk and also by contributing to internal instability. Similarly, countries dependent on other countries for food would become politically too weak to exercise their right to choose with regard to the conditions that may be imposed on them by other countries or agencies.

It is important to observe that a group of developing and least-developed countries, including Sri Lanka and Pakistan from among the SAARC countries,⁶⁶ have even come up with a formal proposal for a development box. This proposal foresees a greater flexibility for developing countries in terms of agricultural liberalisation (box 2.3). This seems to be the desirable course of action for the SAARC countries. They are not taking an 'either, or' position on liberalisation. They are, together with many other developing countries, in favour of a degree of liberalisation that is appropriate for the level of development in a particular country. In other words, a purely market-oriented approach would not achieve their socio-economic objectives. The main purpose is not to eliminate subsidies or withdraw the support provided to the farming community but to check trade distortion. India, for example, has been pleading for flexibility with a view to providing developing countries the opportunity to address the need for food security and rural employment. On the other hand, it supports disciplining the use of trade-distorting subsidies and also the imposition of non-tariff barriers⁶⁷ to imports from developing countries.⁶⁸

Considering the dilemma of South Asian countries on the issue of agricultural liberalisation, SAARC must come forward with a clear position on what stand should these countries take in the area of agricultural reform

A mechanism for compensation in case of a price rise needs to be pressed for

In fact, it is not easy for SAARC governments to decide on how to pose themselves with regard to the Agreement. They know very well that a very protectionist posture would not be in anyone's interest. However, it may be interpreted as a 'nationalist' stand. Anti-WTO and anti-globalisation rallies from Seattle to Prague have sent a clear message to policymakers: don't be over-enthusiastic about the fruits of free trade or even globalisation for that matter.⁶⁹

On the other hand, taking a liberal position means that one should be prepared to accept the challenges of multilateral negotiations in an environment that already favours big players. It also demands combined efforts of all affected parties. It is here that regional associations like SAARC can play an effective role. If so, the first common initiative of the SAARC countries could be the exercise of their combined strength in bringing down export subsidies provided by the developed countries.

Scope for international cooperation (e.g., the USA or Cairns Group) also exists in this area. It must be noted here that all SAARC countries may not find themselves comfortable with the proposal to abolish export subsidies. The least-developed and net food-importing of them will be concerned over the possible rise in prices of food products as a result of the elimination of subsidy. This is understandable. A mechanism for compensation in case of a price rise needs therefore to be devised.

Box: 2.3

Proposal to include "Development Box" in the AoA

According to the paper submitted by a group of 11 developing countries to the meeting of the WTO Committee on Agriculture, "the existing AoA rules seem to bestow special and differential treatment on developed rather than developing countries." The countries proposed collapsing all domestic support categories into one 'General Subsidies' box, and eliminating the current 'box' system. They also point out that the AoA "has not satisfactorily addressed the food security and development concerns," and in order to change that, a "development box" should be created to specifically address the needs of developing countries. In a nutshell, inclusion of a development box in the AoA can be described as follows:

- Allow developing countries to use a positive list approach to declare which agricultural products or sectors they would like to have disciplined under the AoA provisions. In other words, only those products, which are declared by a country, should be subject to AoA commitments.
- Allow developing countries to re-evaluate and adjust their tariff levels. Where it has been established that cheap imports are destroying or threatening domestic producers, developing countries should be allowed to raise their tariff bindings on key products to protect food security. Reduce tariff peaks and escalations prevailing in OECD countries, specially for products of interest to developing countries.
- Allow developing countries an additional 10 per cent on their *de minimis* support level, i.e. bringing the level from 10 to 20 per cent.

- Prohibit developed countries from the use of the Special Safeguard Clause. This Clause instead should be opened up to all developing countries. Developing countries should be allowed to invoke the Clause on the basis of low prices or high volumes.
- Prohibit dumping in any form.
- Eliminate all forms of export subsidies (direct or indirect) by developed countries.

Sources: ICTSD (2000); Kwa (2000); WTO, G/AG/NG/W/13 (23 June 2000).

A trend to intensify consultations among SAARC member government on WTO issues is emerging, which may help developing a common position on agricultural liberalisation

However, one cannot talk of a ‘SAARC position’ in this regard. The countries in the Grouping do seem to be interested in taking a common stand in particular issues. A trend to intensify consultations among Member governments on WTO related issues is emerging⁷⁰. It is only befitting the initiatives taken by SAARC governments in creating a South Asian free-trade area. But, this process is yet to be institutionalised. In the context of regional economic integration for enhancing international competitiveness, SAARC countries need to move closer to each other.⁷¹

Issues for comments

- Why are some countries resisting agricultural liberalisation within a multilateral framework after having been substantially involved in designing it?
- Can governments defend agricultural protectionism at the cost of consumers and taxpayers?
- Is it possible for the SAARC countries, including the least-developed among them, to be in a position to pursue their interests within the framework of the Agreement?
- How far are the autonomous liberalisation moves of the SAARC countries compatible with the Agreement?
- If countries are pursuing liberalisation policies anyway, why should there be an international agreement on this theme?
- What is the best strategy available for SAARC countries to respond to the growing “tension” between different groups of countries with regard to the review of the Agreement?

CHAPTER – III

REVIEW OF AGREEMENT ON AGRICULTURE

3.1 Introduction

Article 20 of AoA maintains that negotiations of continuing the reform process have to be initiated one year before the implementation period

Article 20 of the Agreement on Agriculture (AoA) under the rubric ‘Continuation of the Reform Process in Agricultural Trade’ states the following:

“Recognising that the long-term objective of substantial progressive reductions in support and protection resulting in fundamental reform is an ongoing process, Members agree that negotiations for continuing the process will be initiated one year before the end of the implementation period, taking into account:

- (a) the experience to that date from implementing the reduction commitments;
- (b) the effects of the reduction commitments on world trade in agriculture;
- (c) non-trade concerns, special and differential treatment to developing country Members, and the objective to establish a fair and market-oriented agricultural trading system, and the other objectives and concerns mentioned in the preamble to this Agreement; and
- (d) what further commitments are necessary to achieve the above mentioned long-term objectives.”

Despite the fact that WTO Secretariat had initiated what is known as Analysis and Information Exchange (AIE) process and five special sessions have been convened to discuss the issues related to review, Members still have conceptual differences on the issues to be discussed. As WTO Secretariat succinctly puts it:

No consensus has emerged so far among the member governments on whether the review should be “pentangle” or “tripod”

Some countries have described the mandate given by Article 20 as a ‘tripod’ whose three legs are export subsidies, domestic support, and market access. Non-trade concerns and special and differential treatment for developing countries would be taken into account as appropriate. Others say it is a ‘pentangle’ whose five sides also include non-trade concerns and special and differential treatment for developing countries as separate issues in their own right.⁷²

Similarly, civil society organisations feel that even the ‘pentangle’ approach does not fully capture the global dynamics distorting world trade in agricultural products, and suggest adding to the list the effects of dumping and predatory pricing, food security, and the role of multinational companies in world food trade. This was the view that emerged at the seminar entitled “WTO Negotiations on Agriculture: Setting the Right Agenda” organised by South Centre Project on WTO, the Institute for Agriculture and Trade Policy (IATP), Action Aid and Focus on the Global South in Geneva on 26-27 October 2000.⁷³

Some countries want the negotiations on further liberalisation of agriculture sector to proceed as a stand along issue, whereas some other want it to be a part of single undertaking

On the procedural side of the review process leading to further liberalisation of agriculture, there have been some problems. The review process got off to a shaky start when the Members could not agree even on the issue of electing the chair. So much so that the EU and Japan blocked the appointment of Brazilian Ambassador to the WTO, Celso Amorim. Amorim's candidacy was supported by the US and the Cairns Group of agriculture exporting countries, of which Brazil is a member. EU Ambassador to the WTO Rod Abbott said the EU could not support Amorim because Brazil is a Cairns Group member. Cairns Group countries criticised the EU's stance, arguing that WTO practices dictate that a candidate for a position be selected based on a her/his merit rather than on whether s/he belongs to a particular grouping.

Agriculture being the most contentious issue within the WTO at present is subject to all kinds of maneuvering, especially from the countries, which are opposed to agricultural liberalisation being a stand-alone issue. For example, MERCOSUR has called for services talks to proceed in parallel to talks in agriculture in an attempt to ensure that progress in services is contingent on progress in agriculture. Other Members such as the EU and Japan believe that progress on the agriculture negotiations will depend upon the launch of a comprehensive round of trade talks.⁷⁴

Before we go into the details of the actual review process and analyse various positions of the WTO Member countries, it would be advisable to get a flavour of the review process and their various positions prior to the beginning of the discussion on the review.

3.2 Analysis and Information Exchange process

Governments agreed to the Analysis and Information Exchange (AIE) process as a compromise at the first WTO Ministerial Conference in Singapore in 1996. At that conference, some countries (notably the Cairns Groups members) were pushing for further liberalisation in agriculture in advance of the schedule agreed at Marrakesh, while others wanted to go more slowly.

The AIE process was well received by WTO delegates in Geneva. It offered a way for governments to propose ideas and raise concerns that indicate what might be on the table when the next round of negotiations were to begin. The meeting was informal (thus closed to observers) and none of the papers presented have formal status. According to government representatives, who participated in the AIE, this has allowed more discussion and exchange than is possible in the usual negotiating process.⁷⁵

However, the AIE process initiated by the WTO witnessed very limited participation from the developing Member countries. The reason for their lack of participation or even unwillingness to participate in the process could be due to the fact that they did not have substantial 'business' interest in participating. Moreover, they did not have the capacity to participate in the process due to the complexities of issues involved and lack of their missions in Geneva. Another reason could be that they were pretty sure of their concerns being unheard in the multilateral fora dominated by economically powerful countries like the Quad group. Bello (1999) argued that it was vitally important for these countries to participate in each and every major process WTO initiated towards the review of AoA.⁷⁶ However, out of the 45 papers submitted by the Members during the AIE process, only eight were submitted by the developing countries.

Though the AIE process was well received by the member countries, participation of developing countries during this process being pathetically low is a matter of concern

The multifunctionality mantra dominated the EU-Japan-Korea's common initial negotiation position

Among the supporters of liberalisation, Cairns Group is the most vociferous, the US' role being slightly dubious at times

Supporting special and differential treatment for the developing countries and at the same time demanding further and deeper liberalisation reveal incompatibility in Cairns Group's position

A run down at the papers submitted during the AIE process by various Member countries of the WTO could be clustered in the following broad groups based on the concerns raised:

3.2.1 EU-Japan-South Korea

The EU, Japan, and South Korea apparently staked out a common initial negotiating position against further liberalisation. These three economies did not actively participate in the process, their position being that there was no need to conduct this preparatory exercise prior to the formal start of new negotiations.

The three, however, advocated bringing in new considerations in the negotiations, including conservation of environment and biodiversity, food security, regional landscape, cultural heritage, and rural development. In other words, agriculture is 'multifunctional': it performs more than just productive functions for society, and these are just as vital as the economic one. Free traders scoff at the idea of multifunctionality, seeing it as but another fancy defence against liberalisation. Norway on its own right also pushed for the multifunctionality agreement.⁷⁷

3.2.2 The US-Cairns Group alliance

Cairns Group has a hard-core liberal position in relation to agriculture and the US position, on the face of it, appears as being in favour of a full-fledged liberalisation of the agriculture sector, though it has managed to maintain its farm subsidies in some form or the other. But as a marriage of convenience, a formal and active alliance between the US and the Cairns Group has emerged. The agenda of the Cairns Group is to increase market access, do away with export subsidies, and decrease production subsidies.

Within the Cairns Group, there are differing nuances—though not differences—in approach. Some members of the Group have teamed up with the US in demanding that the negotiations be concluded by December 31, 2002, instead of the end of 2003, which is the stand of most of the rest of the Cairns countries. They exhibit some kind of sensitivity towards the need to provide special and differential treatment to the net food importing developing countries (NFIDCs).⁷⁸

Although disparate in size and economic structure, the members of the Cairns Group have kept a remarkable focus on a simple agenda to liberalise agriculture. For the next round of negotiations, the group wants more of the same and aims to bring trade in agricultural products still closer to the ideal of fully open trade, like any other product covered by WTO Agreements.

Despite the vulnerability of some members, the Group has taken a hard line on requests from NFIDCs for compensation for high food prices in 1995 and 1996. The Group says that AoA has had no effect on world prices and that this justifies their insistence on further significant cuts in domestic support programmes and export subsidies. However, the 1998 Cairns Group's vision statement supports the principle of special and differential treatment for developing countries. In practice, the pressure to push for further and deeper liberalisation would seem at odds with this. The vision statement also calls for 'deep cuts to all tariffs, tariff peaks and tariff escalation and removal of all non-tariff barriers.'⁷⁹

3.2.3 Developing countries

The positions were more or less similar among the developing countries who participated in the AIE process

In the context of WTO negotiations on agriculture, developing countries can be broadly classified into three categories. Some belong to the Cairns Group, others to the NFIDC and LDC group, leaving a third section on the middle ground. This last group considers Cairns positions too extreme, but has greater interest in liberalisation than the NFIDCs do. They are also seriously concerned about the lack of meaningful special and differential treatment in the AoA to enable them to overcome their structural economic disadvantages before opening their own markets to the world.

Some developing countries, most notably India, are suggesting the creation of another category for possible exemption under the AoA. According to India, in large agrarian economies like India, a purely market-oriented approach may not be appropriate. Instead, for some countries, it may be necessary to adopt what India would like to term a 'market plus' approach, in which non-trade concerns such as the maintenance of the livelihood of the agrarian peasantry and the production of sufficient food to meet domestic needs are taken into consideration. The following text sums up India's Market Plus approach:

...developing countries need to be allowed to provide domestic support in the agricultural sector to meet the challenges of food security and to be able to preserve the viability of rural employment as different from the trade distortive support and subsidies presently permitted by the Agreement.

The "market-plus" approach proposed by India deals with providing some flexibility to each member government to tackle the problems of this sector which cannot be solved by merely exposing it to market disciplines

As per India, governments need to ensure that a minimum level of their annual food requirement is produced domestically, if not immediately, at least in the time to come. In order to achieve this, government subsidies would be necessary especially in providing inputs - irrigation, electricity, fertilisers, pesticides, technical know-how, high yielding varieties, infrastructural development, market support etc.⁸⁰

In some ways, this perspective echoes the arguments made by Jamaica during the Uruguay Round in favour of a food security clause that would protect developing countries' agrarian sectors. While the EU is proposing multifunctional agriculture to introduce non-economic concerns (such as the environment) into the debate on agriculture, India's concerns are related directly with the economics of the agriculture sector.⁸¹

Food security has become the major rubric around which many concerns have been raised

Food security has become the rubric around which many concerns have been raised, including that further liberalisation would threaten the access of net food importing countries to cheap subsidised food from the big agricultural exporters, which they need badly; and that less developed countries with scarce foreign exchange should be allowed greater flexibility to subsidise their farmers to maintain food production and thus guarantee food security for the whole population. India and to some extent South Africa have come to the forefront to articulate these apprehensions of the vast majority of developing countries from the South.

The paper entitled "Food security: An important Non-Trade Issue" submitted by India to Committee on Agriculture of the WTO clarifies this issue. The paper argues that the liberalisation of agriculture cannot fulfill the requirements of developing agrarian countries concerning food security. The paper argues that since the question of food security is a matter of social, economic and political thought, developing countries

should be allowed to formulate their own agricultural policies. It also demands that developing countries be allowed to provide domestic support to meet the challenges concerning food security and to ensure the viability of rural employment.⁸²

3.2.4 The less developed countries

Less developed countries remain apprehensive about further liberalisation of this sector because of their inability to compete in the global market

The less developed countries are largely apprehensive about further liberalisation. Most countries from sub-Saharan Africa have not yet submitted their notifications under the Uruguay Round. So they are concerned that a new round of negotiations is beginning while they are still facing many problems of implementation related to the last round. Some countries, invoking the 'special and differential status' of developing countries that is supposed to be a principle of the WTO, question the rationality of the prohibition on least developed countries to introduce domestic and export subsidies beyond a 10 per cent *de minimis* level, especially since they did not have such measures before the Uruguay Round.

Invoking the same principle, some governments demand that preferential treatment in market access be given to exports from net food importing countries to allow them to gain foreign exchange to meet the higher cost of food imports. Some also demand, under the same principle, that SPS (sanitary and phytosanitary) standards be relaxed with respect to the exports of less developed countries in view of the great difficulties in adjustment.

3.3 The formal review process

The negotiations began in early 2000 and by the end of December 31 around 80 Member governments submitted 16 proposals and three discussion documents. Five negotiating meetings (officially called 'special sessions' of the Agriculture Committee) have been held so far: in March, June, September and November 2000 and February 2001. Then in March 2001, participants will take stock of all the proposals submitted and consider what to do in the next phase and how long to be engaged in it.

As the process of review is moving forward it is becoming more and more difficult for the countries to reconcile their differences

The proposals already received cover all major areas of the agricultural negotiations and a few new ones. The views expressed in the papers and during the meetings have been very wide, which is not surprising at this stage. The next stage will probably be tougher. Broader political decisions will be needed to narrow the gaps between the various positions. At the same time, a lot of technical work will be needed to iron out the details.⁸³

As per the *Agriculture Negotiations: Backgrounder* produced by the WTO secretariat based on the papers submitted by the Member governments, the issues of their concerns can be clustered into the following categories:

3.3.1 Export subsidies and competition

Some countries are proposing the total elimination of all forms of export subsidies, in some cases with deep reductions right at the start of the next period as a 'downpayment'. Others are prepared to negotiate further progressive reductions without going for the subsidies' complete elimination, and without any 'downpayment'.

Several developing countries complain that the rules are unequal because developed countries are still allowed to dole out huge export subsidies

Understandably a Mercosur plus paper argues that export subsidies are the most trade distorting agricultural policy

US position centered around elimination of export subsidies and variable export taxes and disciplining export state trading enterprises

In addition, some countries would like to extend and improve the rules for preventing governments getting around ('circumventing') their commitments — including the use of state trading enterprises, food aid and subsidised export credits.

Several developing countries complain that the rules are unequal. They object, in particular, to the fact that developed countries are allowed to continue spending large amounts on export subsidies while developing countries cannot because they lack the funds, and because only those countries that originally subsidised exports were allowed to continue subsidising — albeit at reduced levels. One group of developing countries compares the effect of various types of export subsidies with 'dumping' that harms their farmers. As a result, of all of these concerns, some proposals envisage sharply different terms for developing countries. ASEAN, for example, proposes scrapping all developed countries' export subsidies while allowing developing countries to subsidise for specific purposes such as marketing.⁸⁴

In a discussion paper submitted by Argentina, Brazil, Paraguay and Uruguay (MERCOSUR), Chile, Bolivia and Costa Rica, it is argued that export subsidies are "the most trade distorting agricultural policy".⁸⁵ See box 2.1 on Chapter II for details.

Criticising the position of developed countries, especially EU, which have put forward the argument that export subsidy resulting in availability of cheap food for the net food importing developing countries would help ensure food security, these Latin American countries maintain that such practices have resulted in massive erosion in the competitiveness of the local farmers and increased food dependency among them.⁸⁶

Similarly, the US in its submission, reiterates its objective for WTO negotiation on agricultural export as being the elimination of export subsidies and variable export taxes, and disciplining export state trading enterprises (STEs). Therefore, it has made the following proposals:

Export subsidies

- to reduce to zero the levels of scheduled budgetary outlays and quantify commitments through progressive implementation of annual reduction commitments over a fixed period;

Export state trading enterprises

- to end exclusive export rights to ensure private sector competition in markets controlled by single-desk exporters;
- to establish WTO requirements for notifying acquisition costs, export pricing, and other sales information for single-desk exporters;
- to eliminate the use of government funds or guarantees to support or ensure the financial viability of single-desk exporters;

Export taxes

- to prohibit the use of export taxes, including differential export taxes, for competitive advantage or supply management purposes; and

Export credit programmes

- to conduct negotiations for export credit programmes in the Organisation for Economic Cooperation and Development in fulfillment of Article 10.2 of the AoA, and apply disciplines to all users.⁸⁷

Cairns Group argues that it is unfair to support exports through subsidised prices or subsidised terms of payment

In its Negotiating Proposal on Export Competition, Cairns Group re-emphasising its stand maintains that export subsidies are the most trade-distorting agricultural policies and damage both developed and developing countries. As per them, export subsidies for industrial products were prohibited by the GATT more than 40 years ago. Adding that price and quality are the only fair means of export competition, they argue that it is unfair to support exports through subsidised prices or subsidised terms of payment. Thus Cairns Group proposes, *inter alia*, that WTO Members agree :

- to the elimination and prohibition of all forms of export subsidies for all agricultural products.
- on the date for elimination of the remaining export subsidies in the negotiations.
- that additional or strengthened rules and disciplines be developed to prevent circumvention of the elimination and prohibition of all forms of export subsidies.⁸⁸

EU have shown their willingness to continue to negotiate further reduction in export subsidies provided that all forms of support to export of farm products are treated on a common footing

Faced with persistent attack from every corner on the export subsidies, European Communities' proposal on Export Competition argues that there is an urgent need for a more level playing field in export competition since the current provisions of the WTO AoA fully cover only one of the means of support to exports, namely export subsidies. They further maintain that the extent to which WTO Members could use export subsidies was clearly defined (limited), in specific quantitative terms, for each individual exporting Member, product category and year, in the Country Schedule of each Member. They have even shown their willingness to continue to negotiate further reduction in export subsidies provided that all forms of support to exports of agricultural and food products are treated on a common footing.

This proposal essentially targets export credits, abuse of food aid, and functioning of the State Trading Enterprises (STEs) – the means of export distortion EC has not used so far. EC, therefore, calls for further analysis and discussion on other export distorting instruments than export subsidies alone, an assessment of their impact on trade, and the inclusion of stronger rules in the WTO discipline for all forms of export support measures.⁸⁹

The group of 11 developing countries recommends for the prohibition of all forms of export subsidies and addressing competition policy in agriculture

Similarly, a group of 11 developing countries submitted a proposal to the June 2000 Special Session of the Committee on Agriculture, in which some references have been made about export competition. Although the proposal essentially concerns the special and differential treatment, it argues that while dumping is disallowed in the GATT, export subsidies were made legal for agriculture. The proposal further states, "As a result of this, developing countries are not allowed to increase the negligible levels of export subsidies while developed countries are allowed to maintain 64 percent of their subsidy outlays in the base level."⁹⁰

The proposal, therefore, recommends that dumping in any form *must* be prohibited and all forms of export subsidies (direct or indirect) by developed countries must be eliminated immediately. The proposal also calls for addressing competition policy in agriculture during the on-going review process.⁹¹

ASEAN has demanded that the developing countries be given some flexibility in making use of export subsidy while developed countries should fully eliminate them

Likewise, ASEAN made a submission on Special and Differential Treatment for Developing Countries in World Agricultural Trade, in which it has mentioned that as a first general obligation, developed countries must immediately eliminate all forms of export subsidies and commit to their unconditional prohibition. The proposal further states that developing countries, on the other hand, must be able to continue using existing flexibility with respect to export subsidies (i.e. Article 9.4). Finally, the proposal makes it clear that disciplines in export credits, export credit guarantee or insurance programmes should be developed and concluded before the end of the implementation period. The development of these disciplines should provide adequate flexibility for developing countries.⁹²

Korean proposal deals with balancing the rights and obligations of the importing and exporting countries

As per one of the latest proposals for WTO Negotiations submitted by Republic of Korea, rules and disciplines on export competition, which have the most direct impact on agricultural trade, should be transparent and, above all, contribute to the overall balance of rights and obligations between exporting countries and importing countries. The proposal further states that in addition to establishing provisions on export subsidy reduction and export credit, disciplines with the following objectives are needed:

- to prohibit exporting countries from imposing export restrictions and prohibitions arbitrarily;
- to prohibit the use of export tax for the purpose of export restriction; and
- to secure transparency in the operation of state trading enterprises and to prevent their circumventing of reduction commitment in export subsidy.⁹³

3.3.2 Market access: tariffs and tariff quotas

Since tariffs were very high to provide any meaningful market access, tariff-rate quotas were created to provide minimum access opportunities

Nowadays, among the WTO Members, agricultural products are protected only by tariffs. All non-tariff barriers had to be eliminated or converted to tariffs as a result of the Uruguay Round (the conversion was known as ‘tarification’). In some cases, the calculated equivalent tariffs — like the original measures that were tariffed — were too high to allow any real opportunity for imports. So a system of tariff-rate quotas was created to maintain existing import access levels, and to provide minimum access opportunities. This means lower tariffs within the quotas, and higher rates for quantities outside the quotas.

In the context of agricultural liberalisation, the tariff debate assumes particular significance because of various tariff distortion practices adopted by the developed countries. One clear example is that during the process of tarification developed countries managed to inflate the value of their non-tariff barriers so as to fix their bound tariff at an indefensibly high level, which are known as ‘dirty tariffs’.

Tariff reduction on various farm products is one of the major demands of both Canada and the US

Arguing for the reduction of tariffs during the review process, Canada is advocating ‘sectoral liberalisation’, the complete elimination of tariffs by at least the key WTO Members in specific sectors such as oilseeds, barley and malt. Similarly, the US has gone so far to argue that because so many agricultural tariffs are high, the negotiations to reduce

tariffs should start with ‘applied rates’ and not with the generally high ‘bound rates’.

Developing countries have raised concern over tariff escalation

Another contentious issue is that of ‘tariff escalation’, a process of increasing the tariff hinging on the stage or process of production (i.e., lower tariff for raw material, higher for semi-processed and very high for processed agricultural products). This has hurt the developing countries, which are trying to achieve sustainable industrialisation. This is one of the issues being raised by a number of developing countries in their submissions.

Due to extremely complex process of administering tariff quota, developing countries find it difficult to take advantage of the same

Since the Uruguay Round, the discussion regarding tariff rate quotas has focused broadly on two issues: the high levels of tariffs outside the quotas (with some countries pressing for larger cuts on the higher tariffs), and the quotas themselves — their size and the way they have been administered.⁹⁴

Since the administration of tariff quota and related notification requirements are extremely complex, developing countries are finding it difficult to take advantage of it. Methods used for providing exporters access to quotas include first come, first served allocations, import licensing based on historical shares and other criteria, administering through state trading enterprise, bilateral agreements, and auctioning.

Therefore, several countries are demanding that the negotiations deal with tariff quotas: to replace them with low tariffs, to increase their size, to sort out what they consider to be restricting and non-transparent allocation methods, or to clarify which methods are legal or illegal under WTO rules in order to provide legal certainty.⁹⁵

The US proposes that members commit themselves to continuing reform process initiated in the UR by progressively moving members to true tariff-only regime

The US, for example, proposes that Members commit themselves to continuing reform process initiated in the Uruguay Round by progressively moving Members to true tariff-only regimes by taking the next step towards the eventual phase-out of transitional tariff rate quotas (TRQs). Therefore, the US proposes that the Members agree:

- to establish in-quota duties based on historical quota fill, so that the lower the historical TRQ fill, the greater the reduction in the in-quota duty;
- to provide increases in TRQ quantities on a Most Favoured Nation basis to ensure broad availability of market access opportunities to all Members;
- to increase substantially TRQ quantities; and
- to reduce substantially out-of-quota duties.⁹⁶

3.3.3 Domestic support

As mentioned earlier, in the WTO terminology, subsidies in general are identified by ‘boxes’ which are given the colours of traffic lights: green (permitted), amber (slow down — i.e. be reduced), and red (forbidden). In agriculture, things are, as usual, more complicated. The AoA 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.

In relation to ‘amber box’, 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.

Subsidies that have influence on production and/or pricing are bound to distort trade

Concerning ‘green box’ subsidy, some countries say that they would like to review the domestic subsidies listed in the green box because they believe that some of these, in certain circumstances, could have an influence on production or prices. Some others have said that the green box should not be changed because it is already satisfactory. Some say that the green box should be expanded to cover additional types of subsidies.⁹⁷

Similarly, in relation to ‘blue box’ subsidies, some countries want it scrapped. Others say that the blue box is an important tool for supporting and reforming agriculture, and for achieving certain ‘non-trade’ objectives, and argue that it should not be restricted as it distorts trade less than other types of support.⁹⁸

The US position maintains that the domestic support disciplines should be simplified, while Cairns Group proposes a formula approach

The US position maintains that the domestic support disciplines should be simplified into two categories: i.e., exempt support as defined by criteria-based measures that have no, or at most, minimal trade distorting effects or effects on production and non-exempt support, which would be subject to a reduction commitment.⁹⁹

Cairns Group have proposed that considering the objective of the reform process, and taking into account from 2004, WTO Members will not be restricted from taking action against domestic support under the GATT 1994, WTO Members decide on the following general approach to domestic support:

- A formula approach is used to deliver major reductions in trade and production distorting domestic support, including AMS and blue box, leading to the elimination of such support and thus the removal of disparities in the levels of this support provided by countries;
- The time period, and other parameters, of the reduction formula for trade and production distorting domestic support is agreed in the negotiations;
- The formula includes a substantial downpayment during the first year of the implementation period (eg., not less than a 50% initial reduction in trade and production-distorting domestic support);
- The formula results in commitments to a disaggregated basis to ensure that trade and production-distorting support is reduced for all agricultural products; and
- The basic and policy-specific criteria for ‘green box’ support not subject to reduction and elimination is reviewed to ensure that all such domestic support meets the fundamental requirements of no, or at most minimal, trade-distorting effect or effects on production.¹⁰⁰

ASEAN is of the view that domestic support shall continue to be important for the developing countries, developed countries should substantially reduce the same

ASEAN feels that the rules and disciplines on domestic support in the AoA were formulated more in consideration of the policies of developed countries, which have resulted in major imbalances in obligations and commitments between developed and developing countries. They have argued that while domestic support will continue to be important for developing countries, developed countries should substantially reduce the domestic support. They also propose that there should be an overall cap on the budget of developed countries allocated for Green Box measures.¹⁰¹

The group of 12 transition economies have expressed their concern over the impact of exposing their hitherto protected agricultural sector to the sheer play of market forces

Similarly, a group of 12 transition economies have proposed that they should be provided with additional flexibilities while implementing the provisions of the AoA. As per them, given the problems they have been grappling with in order to make a transition towards a full-fledged market economy and given the vulnerability of their agriculture sector, leaving farmers fully exposed to the sheer play of market is not an option. They, therefore, demand that they be allowed to maintain investment subsidies and input subsidies generally available to agriculture, interest subsidies to reduce the costs of financing as well as grants to cover debt repayment from domestic support reduction commitments.¹⁰²

The EC believe that the present arrangements under the AoA constitute globally the right framework for addressing domestic support issues. They maintain that they are prepared to negotiate further reductions in support provided that, in particular, the concept of the 'blue' and 'green' boxes will continue. They, therefore, propose the following:

- The reform process should be pursued by further reduction in the Total Aggregate Measures of Support (AMS) starting from the Final Bound Commitment level, by a further strengthening of the rules concerning non-product specific domestic support, and by a reduction of the 'de minimis' clause for developed countries.
- The criteria to be met by measure that falls into the 'green box' should be revisited to ensure minimal trade distortion whilst at the same time ensuring appropriate coverage of measures which meet important societal goals such as the protection of the environment, the sustained vitality of rural areas and poverty alleviation, food security for developing countries and animal welfare.
- Specific discipline should be applied to variable 'amber box' subsidies which boost export performance through providing compensation of variations in market prices.¹⁰³

As per a study, trade - distorting subsidies in the EU reduce production of dairy products by nearly half in Africa, Southeast Asia and other developing regions

It is interesting to note that according to a study by London's Institute of Economic Affairs quoted in a recent Wall Street Journal Europe article by former US Trade Representative Charlene Barshefsky, trade-distorting supports to farmers in the EU "reduce production of dairy products by nearly half in Africa, Southeast Asia and other developing regions, and cuts livestock production in Eastern Europe and the former Soviet Union by a fifth."¹⁰⁴

Whatever may be the stated position of the USA at the global level, they have found way out to circumvent the provisions of the AoA to continue providing support to their farmers. Box 3.1 explains this double standard to the significant extent:

Box: 3.1

US agriculture aid

On 30 May, the Australian government foreshadowed a WTO challenge over the latest US farm aid legislation. The legislation, passed by the US Congress in late May, provides US farmers with an US\$ 8.2 billion crop insurance programme and US\$ 7.1 billion in financial aid. According to Australian Agriculture Minister Warren Truss, "what it in practice has done has meant that the US' level of farm support is now back to similar levels, in fact perhaps even higher than when the Uruguay Round of trade reform began." This behaviour, he has said, "is completely unacceptable; they forfeit their right to be considered to be leaders in trade reform when they behave in this way."

At this time, most of the details of the aid are not available yet, i.e., into which categories the aid will fall. However, according to officials, Australia will continue to monitor the situation to decide if a WTO challenge is necessary.

Source: Bridges Weekly Trade News Digest, July 26, 2000.

3.3.4 Developing countries

Developing countries are getting more active in agriculture negotiations and several groups have put their names to negotiating proposals. In general, they reflect a diverse range of interests in the debate, and the distinctions are not always clear. The interests of developing countries are represented by two separate groups, namely, ASEAN,¹⁰⁵ and a group of 11 developing countries.¹⁰⁶ Although Cairns Group has also underscored the need to provide special and differential treatment to the developing countries, its sole intention being further liberalisation of agriculture at any cost, could run, at times, in cross purpose with what developing countries have been voicing for.

The concerns of developing countries have centered around lack of market access to their farm products, prohibitive duty and tariff escalation

Their main concerns are in the areas of market access restrictions on their agricultural produce because of prohibitive duty in the developed countries market and hampering of their agriculture processing units due to tariff escalation. They also feel that WTO arrangements should be more flexible so that developing countries can support and protect their agricultural and rural development and ensure the livelihoods of their large agrarian population where farming is quite different from the scale and methods in developing countries.

Some smaller developing countries have expressed concerns over the erosion of preferential treatment due to reduction of tariff at a faster pace. A number of developing countries which depend on imports for food supply are concerned about possible rises in world food prices as a result of reductions in richer countries' subsidies.¹⁰⁷

In their proposal titled: *Agreement on Agriculture: Green Box/Annex 2 Subsidies*, the group of 11 developing countries have made the following arguments against the Green Box:

- It has provided the legitimacy for higher than lower overall OECD domestic support levels;
- Its subsidies are prone to misuse;
- It is non-transparent;
- The due Restraint Clause gives it complete protection from countervailing duties; and

- It meets non-trade and other concerns of developed, but not developing countries.

They are also of the view that the present structure of subsidy boxes creates loopholes and is a heavy administrative burden

They are also of the view that the present structure of subsidy boxes creates loopholes and is a heavy administrative burden. They feel that collapsing all subsidies into one category would eliminate the existing loopholes and bring rationale and structure to the Agreement. They also argue that AoA has not satisfactorily addressed their food security and development concerns. Therefore, they have made a proposal of having a development box in the AoA¹⁰⁸, which would appear somewhat as presented in the Box 2.3 on Chapter II.

Voicing its concern on behalf of developing countries, ASEAN maintains that developing countries be allowed to make use of special safeguard measures as and when necessary

ASEAN argues that domestic support will continue to be important for the developing countries considering that efforts to develop their agricultural sectors remain a long-term legitimate concern. Equally concerned about tariff disparities, it makes a strong argument that the next round must result in the elimination of tariff disparities, with developed countries committing to greater tariff reductions. It also proposes that the developed countries eliminate tariff peaks and tariff escalations on the products of export significance to the developing countries and that the developing countries be allowed to make use of the special safeguards as and when necessary. Finally, ASEAN proposes that the preferential treatment provided to a number of developing countries through a Generalised System of Preference (GSP), which is already encapsulated in the Enabling Clause should be elaborated and maintained in the framework of the Agreement, with an explicit commitment by developed countries to conform to the principles of non-discrimination and non-reciprocity.¹⁰⁹

3.3.5 Transition economies

The proposals dwelling on concerns of countries in transition from central planning to market economies deal with domestic support and market access. These countries say that shortage of capital, lack of a well-functioning credit system, government budget constraints and other problems they are experiencing in the transition mean that exposing agriculture to market forces would disrupt the sector.

Due to the history of planned economies resulting in shortage of capital, lack of well-functioning credit system, government budget and other constraints, transition economies want extra flexibility in providing certain subsidies

For domestic support, these countries are calling for extra flexibility in providing certain subsidies (for example for debt and interest payments) and in general allow them higher ceilings on amounts of support that are considered small enough ('de minimis') not to be counted in reduction commitments. Under market access they want to continue protecting some of their own products with existing tariff levels — without having to reduce them further — including those that already have low tariffs. They also want to negotiate the removal of non-tariff barriers in their export markets.¹¹⁰

A negotiating proposal titled *WTO Negotiations on Agriculture: Market Access*, submitted by a group of 11 transition economies propose that a specific flexibility provision be included in any negotiating guidelines and modalities to be agreed for the purpose of future tariff reductions and other market access commitments. Such a provision would, *inter alia*, exempt low tariffs from further reduction commitments for these countries, as well as would allow for selective reduction commitments.

At the same time, these countries propose that any negotiating guidelines and modalities regarding future tariff reductions and other market access commitments address all non-tariff measures and practices that hinder imports and through its effect provide protection to domestic producers.¹¹¹

They also demand that investment, input and interest subsidies be exempt from AoA discipline

There are some genuine non-trade concerns relating to agricultural liberalisation, but some countries/groups have gone a bit too far to assert them

Some countries, not particularly happy with the non-trade concerns being raised, feel that other sectors of the economy such as industry and services too have non-trade concerns

Pointing out the need to look at 'human welfare' as the major non-trade concern, Argentina argues that one has to be mindful of the concerns of the developing countries while talking about non-trade concerns

Another proposal was submitted on the same date by 12 transition economies titled *WTO Negotiations on Agriculture: Domestic Support – Additional Flexibility for Transition Economies*. Considering the present difficulties faced by these economies to reform the agriculture sector, the proposal argues that leaving farmers fully exposed to the sheer play of market forces is not an option since this would destroy the agricultural sector.¹¹²

3.3.6 Non-trade concerns

The AoA provides significant scope for governments to pursue important 'non-trade' concerns such as food security, the environment, structural adjustment, rural development, poverty alleviation, and so on. Article 20 says the negotiations have to take non-trade concerns into account.

Most countries accept that agriculture is not only about producing food and fibre but also has other functions, including these non-trade objectives — although some dislike the buzzword 'multifunctionality'. Some countries maintain that all the objectives can and should be achieved more effectively through 'green box' subsidies, which are targeted directly at these objectives and, by definition, do not distort trade. Other countries say that the non-trade concerns are closely linked to production. They believe subsidies based on or related to production are needed for these purposes. For example, rice fields have to be promoted in order to prevent soil erosion, they say.

A number of countries have produced studies to support their arguments, and these studies have also been debated — in particular, 38 countries submitted a note for the September 2000 meeting that includes their papers for a conference on non-trade concerns. Some other countries responded by agreeing that everyone has non-trade concerns and by calling for proposals for specific measures to be tabled so that the negotiations can move on to whether trade-distorting measures are really justified.

Many exporting developing countries say that proposals to deal with non-trade concerns outside the 'green box' of non-distorting domestic supports amount to a form of special and differential treatment for rich countries. Several of them even argue that any economic activity — industry, services and so on — has some non-trade concerns, and therefore, if the WTO is to address this issue, it has to do so in all areas of the negotiations, and not only in agriculture. Some others see agriculture as a special case.¹¹³

A Technical Submission by Argentina titled *Legitimate Non-trade Concerns* speaks of promoting 'Human Welfare'. The proposal is woven around the issues of rural poverty, unemployment and environmental protection — considered to be important non-trade concerns. As per the proposal, rural poverty in developing countries is on the rise due to massive agricultural support provided by the developed countries thus rendering the agriculture produce of the rural communities in the developing countries uncompetitive. The proposal argues that due to tariff distortion practices prevalent in the developed countries, unemployment is on the rise in the developing countries.

Citing tariff escalation as an example, which forces developing countries to expand the commodity export and constraints their ability to improve their prospect for industrialisation, the proposal argues that it is to be considered as the most important factor contributing to

unemployment in the developing countries. The proposal further states that irrational subsidies provided by the developed countries on agriculture products have led to deterioration of the environment.

Based on the arguments cited above, Argentina concludes that non-trade concerns should be pursued consistently with the objective of these negotiations, not at the expense of other trading partners and that it is committed to achieve substantial and progressive reductions in support and protection in the agricultural sector. The proposal finally states that "this is the frame in which we all should explore the consistent ways and means to take into account legitimate 'non-trade concerns' while being mindful of consequences for developing countries."¹¹⁴

Another major non-trade concern i.e., food security, which has been proposed by India and supported by a number of developing countries, will be dealt with in detail in Chapter V. From the perspective of the review, it is important to point out that India has proposed for the inclusion of a 'food security box' in the AoA for the developing countries, incorporating, *inter alia*, such issues as providing additional flexibility, exemption from reduction commitments, appropriate level of tariff bindings, a separate safeguard mechanism, exemption from any obligation to provide any market access and rationalisation of the product coverage of the AoA.¹¹⁵

3.3.7 Animal welfare and food quality

The proposal on animal welfare, brought forward by EU, argues that farmers who spend extra cost to maintain higher standards of animal welfare should be compensated for the same

Two new issues, which have not specifically been written into the Agriculture Agreement, have been the subjects of proposals submitted in 2000. One deals with animal welfare, and includes the idea of compensating farmers for the extra costs they bear when they are required to meet higher standards of animal welfare. Under the proposal, these payments would be in the green box of permitted domestic support. The debate has partly been about whether this would be at the expense of human welfare, particularly in poorer countries.

Argument on food quality talks of the requirement to protect the identity of the products manufactured in given locations

A separate proposal on food quality deals with reserving the right to produce food of specific characteristics associated with specific localities. The debate is linked to the discussion in the TRIPS (intellectual property) Council on geographical indications. Countries opposing the discussion argue that it should be handled in other WTO committees such as the TRIPS Council and the Technical Barriers to Trade Committee.¹¹⁶

EU is the only one to have proposed these arrangements to be incorporated in the AoA. The genesis of their proposal on Animal Welfare is that there be a detailed examination of various approaches that enables WTO Members to develop an approach to address adequately the issue of animal welfare with the WTO, without conflicting with the long-term objectives of trade liberalisation in agriculture and food security.¹¹⁷ Similarly, in their proposal concerning Food Quality they state that effective protection should be provided against usurpation of names in the food and beverages sector; the legitimate title holders should not be prevented from using the name; and consumer protection and fair competition should be ensured through regulation of labeling.

3.3.8 The Peace Clause

Some countries want the Peace Clause to be extended beyond its deadline of December 31, 2003, while some other want it to lapse as a part of their overall objectives to see agriculture brought under general WTO discipline

Article 13 ('due restraint') of the AoA protects countries using subsidies, which comply with the agreement from being challenged under other WTO agreements. Without this 'peace clause', countries would have greater freedom to take action against each others' subsidies, under the Subsidies and Countervailing Measures Agreement and related provisions. The peace clause is due to expire at the end of 2003.

Some countries want it extended so that they can enjoy some degree of 'legal security', ensuring that they will not be challenged so long as they comply with their commitments on export subsidies and domestic support under the AoA. Some others want it to lapse as part of their overall objective to see agriculture brought under general WTO disciplines.¹¹⁸

As per European Commission's Comprehensive Negotiating Proposal, "the need for the continuation of a 'peace clause' is the logical corollary to the specific nature of the AoA. In addition to that a 'peace clause' defines the conditions under which specific support measures may be granted, and therefore, contributes to the enforcement of the reduction commitments which were agreed."¹¹⁹

3.3.9 Net Food Importing Developing Countries

The issue of net food importing developing countries has not found a place as a separate category of the topic to be discussed during the review process

Although some countries, especially the ones concerned with the developing countries' problems and food security have made some mention of the issues concerning Net Food-Importing Developing Countries (NFIDCs), it has not come out as a major issue to be taken up during the forthcoming negotiations of the AoA. So much so that in the official document of WTO titled: *Agriculture Negotiations Backgrounder* this issue has not been included among the number of sub-topics it has dealt with. However, this issue remains a major concern for the developing countries, which are dependent on international agricultural market for meeting the demand and supply imbalance of the agriculture commodities, including staple food items.

However, in parallel to the formal meetings of the WTO, some other meetings have also been taking place in other multilateral fora as well. For example, on 24-26 July 2000, the UN Conference on Trade and Development (UNCTAD) hosted an Expert Meeting on the Impact of the Reform Process in Agriculture on LDCs and NFIDCs. The meeting was generally well received by government representatives. Its main objective was to exchange views on the impact of the agricultural reform process – in particular, the implementation of the WTO AoA as experienced by individual LDCs and NFIDCs.

While expressing how their concerns could effectively be addressed in the continuation of the reform process, several countries pointed out their experiences with ratios of food imports relative to agricultural exports. There appeared to be some consensus that surges in imports and negative impacts on crop area and production were due to the elimination of non-tariff barriers and fixing of applied tariffs on agricultural commodities. Trinidad, Tobago, and Mali attributed difficulties in meeting reform obligations under the AoA to conditionality requirements under various loans.

While the problem of food security resulting from the increase in global food prices is one issue, the inability of the countries to implement reform measures too needs to be considered seriously

It is necessary to provide financial and technical support to NFIDCs and LDCs

The proposal submitted by a group of 11 developing countries, including three from South Asia, can more or less be considered as the general position of South Asia

The volatility of international prices of food grains and severe foreign exchange crunch being experienced by the countries of the region suggest that they should press for more flexibility to maintain food security

Regarding the issues of concern for LDCs and NFIDCs in the next round, some countries, including Sri Lanka, pointed out that increasing production costs (due to lack of technologies and improved management practices causing crop yield stagnations) and increasing input costs of import-competing products are among the reasons for increasing support to domestic agriculture in the short to medium run. Ethiopia called for initiation of negotiations toward a global ‘Food Security Convention’ to elevate food security to a higher level in international law thereby allowing LDCs and NFIDCs to pursue national food security plans, including the exemption of staple foods from WTO rules and disciplines.

Many countries have asked that agriculture negotiations take into account the need for increased technical and financial support to enable LDCs and NFIDCs to expand production of exportable commodities and service export markets.¹²⁰

3.4 South Asian perspective

South Asia in general is averse to the Cairns Group's and US' proposals to further liberalise the agriculture sector bringing the entire discipline within the WTO jurisdiction like any other commodities. Since the least developed Member countries of the region have not become a part of any submission process during the on-going review, their negotiating positions are not yet clear.

However, the three developing Member countries of the WTO from South Asia have put forward their respective proposals. One of the proposals (G/AG/NG/W/37) submitted to WTO Committee on Agriculture Special Session titled Market Access, which was sponsored by 11 developing countries, including three from South Asia explains the constraints faced by developing countries in terms of market access. This proposal can more or less be considered the general position of South Asian countries during the review process.

India has moved a step further to submit a comprehensive negotiating proposal. In its latest proposal¹²¹, India has raised a number of issues, for example, non-trade concerns, such as food security should be taken into account in the negotiations. These concerns can be meaningfully addressed in the current negotiations only by ensuring that disciplines, especially in the area of market access and domestic support, serve the food security interests of developing countries.

South Asian countries would like to be able to produce their entire food requirements, in the light of constraints they have faced in the past in procuring their food grain from international markets. The volatility of international prices of food grains and severe foreign exchange crunch being experienced by the countries in the region suggest that South Asian countries should press for more flexibility in maintaining food security.

Since the economies of South Asia are largely dependent on agriculture, and majority of their population are engaged in the farm sector, it is necessary to provide some special and differential treatment to them in order to sustain the viability of on-farm employment. The Indian proposal, therefore, argues that it is imperative that the Green Box has provisions for the general development of agriculture including its diversification in South Asian countries, which in turn would help them to take care of their rural employment and food security.

Given the clean history of South Asian countries which have never been involved in using trade distorting subsidies, they can raise their voice aloud against various types of trade distorting supports

South Asian countries have meager domestic support, and export subsidies are virtually absent in the region. They are not involved in distorting world trade in agriculture. It is, therefore, in the interest of South Asia to raise voice against all kinds of subsidies that are distorting the international trade.

It is widely acknowledged that the share of developing countries in general in world agriculture trade has been reducing. According to UNCTAD statistics, developing countries' share in world agricultural exports fell to 25.4 percent in 1990-92 from 31.7 percent in 1970-72. Although it has increased to 30.7 during 1996-97, this figure is smaller than that of 26 years earlier. In contrast, between 1980 and 1996, the annual growth of exports by OECD countries of primary agricultural commodities and processed agricultural products was 2.5 per cent and 6.5 per cent respectively.¹²² Reduction in agricultural export is no exception to South Asian countries. This is due to limited market access for the South Asian farm products in the OECD market.

What are then the factors responsible for the prevalence of this scenario? First and foremost, as has been pointed out in several places in this discussion paper, tariff distortion practices (such as dirty tariffication, tariff escalation, and tariff dispersion) are creating major obstacles to market expansion. Secondly, domestic support and export subsidies provided by the developed countries and the eventual dumping of agricultural products in the developing countries' market effectively kill the incentives for the farmers in the developing countries to produce in a more efficient manner.

Thirdly, tariff rate quotas are limiting the possibilities of these countries to improve their market access. Fourthly, as revealed by FAO's investigation, many developing countries are experiencing trade obstacles due to Sanitary and Phytosanitary (SPS) measures. And finally, the domestic supply-side constraints are also limiting the possibility of market expansion.

While the final problem outlined above is something which cannot be taken up for discussion during the review of the AoA,¹²³ the other four problems should be strongly put on the table by the South Asian countries during the on-going review process. These issues have been aptly highlighted in the recent Indian proposal as well as the Market Access proposal submitted by 11 countries earlier.

South Asian countries have taken the lead in bringing up implementation issues relating to AoA during the on-going review process

There are three Member countries of the WTO, which are in the forefront of the agenda relating to the implementation issues of the AoA, two of them are from South Asia (India and Pakistan), the third one being Egypt. They have blamed the developed countries for their lack of political engagement relating to this issue.

During the fifth Special Session of the Committee on Agriculture (February 5-7, 2001), India and Pakistan made their position clear on the implementation issues, even when Cairns Group and others agreed to engage in a dialogue with the European Union, with or without the implementation issues being properly addressed. Box 3.2 provides the details.

Box: 3.2**India, Pak resent EU farm proposal**

European Union's proposal on trade in farm products presented to the WTO on February 5, 2001 met resistance from Pakistan and India, a senior EU official told AFP. However, the proposals from the 15-strong European Union got a less hostile hearing than usual from the Cairns Group of agricultural exporters.

"Most critical remarks came from Pakistan, and, to a lesser extent, from India...reflecting their feeling that they want to make progress in the discussion on implementation before they are prepared to contemplate serious negotiations on agriculture" an EU official said.

Resistance from Pakistan and India stemmed from their desire to see measures implemented from the previous Uruguay Round of trade talks, which lasted from 1987 to 1994, the official said.

Source: The Kathmandu Post, February 7, 2001.

Despite the fact that South Asian countries could have a common position on this issue, the development so far indicate that there has been no such initiative in this direction

South Asian countries have not been able to put forward a common stand during the review process of the AoA. The fact that all the South Asian Member countries¹²⁴ and the members-in-waiting¹²⁵ of the WTO cannot have a common position on each and every WTO issue has been widely acknowledged. However, it has also been acknowledged that there are a number of issues in which they can have a common negotiating position at the WTO. The on-going review process of the AoA falls under the second category, but the developments so far indicate that there has not been any such initiative. The SAARC Secretariat, for instance, could be activated to take up this responsibility. Only then could the South Asian countries make a meaningful contribution during the review process while at the same time ensuring that their common interests are protected.

Issues for comments

- How far is the position of some countries that the negotiation of AoA should run in parallel with other items in built-in-agenda justified?
- Given the conflicting proposals being put on the table by different countries, alliances and grouping, what course is the negotiation likely to take during the on-going review?
- How far is the position of EU justified that all the elements distorting trade in agricultural products be discussed, and focus should not be on export subsidy only?
- How could Cairns Group strike a balance between the two conflicting objectives of "liberalisation of agriculture trade at any cost" and "providing special and differential treatment for the developing countries"?
- What should be the strategy for the South Asian countries during the on-going review of the AoA? And which aspects of the problems relating to AoA, namely, food security or market access should be put upfront by South Asian countries?

CHAPTER - IV

THE ISSUE OF FOOD SECURITY

4.1 Introduction

Food insecurity and affluence coexist everywhere in the world, but people of developing countries are the most vulnerable ones

The definition of food security is at best contextual. Food insecurity and affluence coexist everywhere in the world, from rural villages in poor developing countries to urban centers in developed countries¹²⁶. Although the global economy is a food surplus economy, 828 million people in the world are chronically undernourished as per United Nations Food and Agriculture Organisation (FAO)'s estimate. This number is increasing since the global food production has not been able to keep pace with the population growth. To further aggravate the problem, distribution of food is highly skewed in favour of developed countries and in favour of high-income urban population within the developing countries.

The term 'food security' has been defined by several individuals and institutions in as varied manner as it is viewed in different parts of the world. However, we have chosen the definition provided by the FAO during the World Food Summit as the most acceptable one. FAO defines food security as a situation "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."

Gulati (2000), has gone a step further to track down the various constituents of this definition, by maintaining that food security means at least five things: (a) that food security is as much a matter of physical access to food as it is of economic access or 'entitlement' to food; (b) that food security relates to all the people, irrespective of their income levels, age, education and gender, etc; (c) that food should be available to them at all times, be it a period of war, civil strife, or any natural calamity; (d) that food has to be available in sufficient quantities, preferably in line with the consumption preferences of the people; and finally (e) that food has to be safe and nutritious, which leads to a "healthy and active life."¹²⁷

Despite a number of international legal instruments having guaranteed right to food, even those States, which are signatory to the same, have not fulfilled their commitments

There are a number of international covenants and instruments that equate the food rights to fundamental rights. The Universal Declaration of Human Rights and Covenant on Economic, Social and Cultural Rights guarantee right to food. Similarly, UN Guidelines on Consumer Protection assert that consumers have the right to satisfaction of basic needs, of which right to food is the most vital component. Food security involves agriculture policy, consumer policy, health and nutrition policy, trade policy and due consideration given to supply and access to food from the national to the household level.¹²⁸

FAO further states: "Food security can also be defined at different levels, for the world as a whole, or for individual nations, regions or households. Ultimately, food security concerns the individual or family unit and its principal determinant is purchasing power – income adjusted for the cost of what that income can buy. Similarly, purchasing power at the national level – the amount of foreign exchange available to pay for necessary food imports, is a key determinant of national food security."¹²⁹ This is more so if the country is not self-sufficient in food production.

This chapter attempts to explore, inter alia, whether trade based food security is the right option for the developing countries, in particular those in South Asia, to pursue

Countries that cannot produce enough food to feed their populations due to various reasons are compelled to import food. Trade-based food security (which depends on imports paid for by exports) has become an accepted norm in many multilateral circles.¹³⁰ Those who believe in this school of thought argue that liberalisation of agriculture would solve food insecurity

problems. The existing theoretical and empirical evidences do not support such a proposition, however. Even if true liberalisation were to take place in the agricultural sector, which is a too optimistic scenario at the moment, all the evidence points out that food insecurity is likely to prevail unless further interventions are made.¹³¹

4.2 Trade as a means to ensure food security

Trade contributes to food security in a number of ways, through making up the difference between production and consumption needs, reducing supply variability, fostering economic growth, making more efficient use of world resources and permitting global production to take place in those regions most suited for it. But reliance on trade may also bring some risks. These include the risks of deteriorating terms of exchange on world markets (falling prices for agricultural exports, higher prices for food imports), uncertainty of supplies, world market prices instability and of increasing environmental stress if appropriate policies are not in place.¹³²

As per Dhar (1999) the arguments in favour of viewing trade as means for ensuring food security have assumed that the existence of global surpluses of grains would enable countries to meet their food needs. Such arguments are however made unmindful of the fallacies that lie behind. In the first place, it needs to be pointed out that the mere existence of surpluses does not imply that the poorer countries have resources to get access to the grains. Secondly, dependence on imports for a necessity like food grains could bring strains on the external payments positions of these countries, which they can ill afford.¹³³

Take the example of Indonesia, where almost 98 million people were suffering from some kind of food deficiency or the other when the currency crisis hit the country in 1997, and their currency was devalued by almost six times. Reliance on trade to ensure food security could, at time, prove disastrous.

Moreover, developed countries, especially the European Union, were successful in preserving the sacrosanct nature of their infamous common agriculture policy (CAP), which is responsible for distorting global trade on agriculture. Agricultural subsidy provided to the farmers in the EU is creating a distortion in world agricultural trade of the highest possible order. As the Director General of UN Food and Agriculture Organisation rightly puts it:

“The huge subsidies and protection that some high-income nations dole out to their farm sectors reduce the chance that farmers in developing countries can “grow” their way out of poverty and hunger. Farm subsidies and protectionism distort world markets and discourage investment in the agriculture sector of developing countries. In the rural areas where most of the world’s poor and hungry live, subsidies paid to farmers in richer nations are yet another blow to local farm productions.”¹³⁴

A careful analysis indicates how liberalisation of agriculture trade is reinforcing the mechanisms of marginalisation of millions of farmers in Brazil, which is considered to be one of the main “winners” of the agricultural trade deal in the Uruguay Round negotiations. An increasing number of small farmers are now confronted with the impossibility of maintaining their activities, and many are even losing their land. In addition, the Philippines, Argentina, Mexico and Yemen are some glaring examples of how cheap food imports have resulted in further marginalisation of small farmers and the loss of supplementary livelihoods and other poverty-coping mechanisms for millions of agricultural labourers.¹³⁵

Currency crisis of Indonesia in 1997 and resultant food deficiency provides lesson on how dangerous it could be to rely on trade as a means to ensure food security

Among the numerous impacts of agricultural liberalisation, food security is viewed as the most crucial one as has been revealed by the examples of Brazil, Argentina, Mexico, the Philippines, Yemen and Sri Lanka

Removal of past productions and trade distortions [as a result of UR AoA] entails costs and risks for some countries, especially among the low-income food deficit countries, which depend on the world market for a large share of their food consumption and have limited import capacity. Higher food import bills will come about to the extent that there is an increase in the level of world market prices and domestic production is unable to respond to the higher price incentives to the amount required to offset the effect of higher prices on import bills. Greater risks in securing adequate supplies from the world market will come about if the new trade environment results in greater instability in world market prices.¹³⁶

Several country specific studies have brought forth compelling evidences to show that trade could seriously impair the domestic food-grain capacity of the developing countries

While the importance of domestic production systems for attaining the objective of food security, particularly in developing countries, is highlighted in the on-going discussions in the AoA, a wide spectrum of studies have tried to argue that food security can in fact be addressed through trade. However, several country-specific studies have brought forth compelling evidences to show that trade could seriously impair the domestic food-grains production capacity of developing countries.¹³⁷

Box: 4.1

Rice price falling in Nepal owing to free trade

As a result of the revision of a Treaty between India and Nepal in 1996, there is no restriction (not even tariff) on import of primary agriculture commodities in either country. Nepalese farmers do not have the required competitive strengths to produce farm products as efficiently as their Indian counterparts. Recently, due to good harvest along both sides of the border, India has been dumping its cheap rice into the Nepalese market. As a result of this, Nepalese farmers are witnessing dramatic fall in the price of the rice produced by them. Domestic rice prices in Nepal have fallen more than 40 percent, but they are still higher than Indian rice. Table 4.1 explains the scenario.

Table 4.1: Prices of rice varieties in selected parts of Nepal

Variety/ Year	Price per quintal (NRs.) in Eastern Nepal (Jhapa)			Price per quintal (NRs.) in Western Nepal (Bardia)		
	98/9 9	99/0 0	00/0 1	98/9 9	99/0 0	00/0 1
Thick	750	900	630	675	850	565
Mansuli	910	1080	800	700	900	580
Thin	1575	1800	1500	725	921	610

Rice imports from India totalled Rs 2.7 billion in 1999/2000, up from Rs. 1.88 billion a year ago, Nepal Rastra Bank (Nepalese Central Bank) said. Nepal is expected to harvest some 4.71 million tonnes of paddy in 2000/2001 (mid-July to mid-July), a rise of about 680,000 tonnes from the previous year's crop. This could leave a surplus of up to 200,000 tonnes.

Nepalese officials say that they cannot restrict cheap Indian rice imports on the face of plunging domestic prices because of a trade pact with New Delhi. Nepalese farmers have been urging the government to curtail the flow of Indian rice into the country and to fix a support price for rice following a bumper domestic crop. However, Nepalese government is not likely to listen to their plea. According to [the then] Minister for Agriculture and Cooperatives, there is nothing that Nepalese government can do to protect the Nepalese farmers.

Adapted from: The Economic Times, November 09, 2000; and Himal, 1-15 December 2000: pp. 38-39

It is also the general perception that rapid economic growth resulting from a liberal trade regime would lead to higher rates of growth of employment and improved income distribution. However, this relationship is complex. It will be influenced by the effect of the choice of trade strategy on the overall rate of growth, by the effect on the demand for labour via the influence of the trade strategy on the composition of output.

Fear is ripe that higher export reduces the availability of food for mass consumption, which affects nutrition status of the marginalised ones

But there is also the apprehension that production and the nutritional status of the poorest segment of households would tend to decline. For example, if increased production for export reduces local food availability, local food prices will rise. The nutrition of the poor, who purchase food in the same markets, may suffer. And in situations where export production is less labour-intensive, reduced employment will have adverse effect on food security of landless farm labourers.

Analysis from the FAO shows that, despite record low prices over the last three years, poor developing countries' food bills have increased by an average of 20% since 1994

Another dimension of trade relates to agricultural modernisation. Trade is envisaged to provide new opportunities for specialisation and exchange and would be associated with structural changes in agriculture. Small-scale producers often lacking the resources necessary to grow export-oriented crops remain unable to benefit from trade-oriented growth.¹³⁸

Analysis from the FAO shows that, despite record low prices over the last three years, poor developing countries' food bills have increased by an average of 20% since 1994, the year the AoA was signed. At the same time, worldwide commodity prices are setting new lows, damaging countries' abilities to pay for imports by reducing their capacities to earn foreign exchange. Output levels even within specific countries have fluctuated during the implementation period, but many developing countries remain locked into a trend of growing dependency on food imports while their revenues from commodity exports decline.¹³⁹

Domestic production is a vital element in the strategy to ensure food security, particularly in developing countries

Dhar and Chaturvedi (1999) further argue that domestic production is a vital element in the strategy to ensure food security, particularly in developing countries, as has been indicated in some recent studies. The United States Department of Agriculture (USDA) study provides telling pointers in this direction. It reports that in Pakistan, where per capita consumption is expected to decrease by 0.6 per cent by 2007, the inability of the domestic production system to respond to the increases in the absolute levels of food grains requirements would increase the country's import dependency from eight per cent in 1996 to 12 percent in 2007.¹⁴⁰

4.3 Food security as a non-trade concern

The preamble to the AoA puts forth the non-trade concerns in a cogent manner. It states that "commitments under the reform programme should be made in an equitable way among all Members, having regards to non-trade concerns, including food security..., having regards to the agreement that special and differential treatment for developing countries is an integral element of the negotiations, and taking into account possible negative effects of the implementation of the reform programme on least-developed and net food importing developing countries."¹⁴¹

The issue of food security has been identified as a major objective to be pursued by the global community by the Rome Declaration on World Food Security and the World Food Summit Plan of Action in 1996. The Plan of Action adopted by the World Food Summit proposed that "each

The issue of food security has been identified as a major objective to be pursued by the global community by the Rome Declaration on World Food Security and the World Food Summit Plan of Action in 1996

nation must adopt a strategy consistent with its resources and capacities to achieve its individual goals and, at the same time, cooperate regionally and internationally in order to organise collective solutions to global issues of food security.” Besides emphasising the importance of national policies, the Rome Declaration and the Plan of Action presented an interesting perspective on the role of trade in the pursuit of food security. The participating countries expressed their commitment to “strive to ensure that food, agricultural trade and overall trade policies are conducive to fostering food security for all through a fair and market oriented world trading system.”¹⁴²

Non-trade concerns have been the most contentious of the issues in the context of the review of the AoA. This has been primarily due to the fact that among the supporters of the non-trade concerns there have been some of the more influential WTO Members like the EU and Japan who have flagged this issue. From among the developing countries, India has been arguing that food security needs to be recognised as a non-trade concern and that the provisions of the AoA should be appropriately modified to accommodate this concern.¹⁴³ The genesis of India’s position is presented in the Box 4.2 below.

Box: 4.2

Food security – an important non-trade concern

The fine balance between trade and non-trade concerns, as mandated in the preamble of AoA, does not appear to have been fully reflected in the provisions of the Agreement and consequently in its implementation. The major thrust of the Agreement appears to be based on the hypothesis that liberalisation is the panacea of all ills in the agricultural sector.

While this may be tenable from a conventional economic point of view, such reasoning does not take into account the problems faced by a number of developing countries, which because of certain underlying constraints, have to necessarily take into account non-trade concerns such as food security, while formulating their domestic policies. In such countries, a purely market-oriented approach may not be appropriate. Instead, for some countries, it may be necessary to adopt, what we would like to term a ‘market plus’ approach, in which non-trade concerns such as maintenance of the livelihood of the agrarian peasantry and the production of sufficient food to meet domestic needs are taken into consideration.

Food security being a sensitive issue, countries in which a large percentage of population is dependent on agriculture sector, would like to have a certain degree of autonomy and flexibility in determining their domestic agricultural policies.

Source: Agriculture: Process of Analysis and Information Exchange, Informal Paper by India: AIE/44, November 16, 1998.

4.4 Experience around the world

Developing countries have found that food grains sector has been the worst hit as a result of indiscriminate opening up of the agriculture sector. For example, Mexico rapidly liberalised its agriculture sector as part of its commitments under NAFTA.¹⁴⁴ Some studies estimated that between 0.7 million to 0.8 million livelihoods were lost as maize prices fell in the domestic economy as a result of cheap imports finding their way to Mexican economy consequent upon the adoption of these

Developing countries have found that food grains sector has been the worst hit as a result of indiscriminate opening up of the agriculture sector

Liberalisation of trade in general and agricultural trade in particular has led to marginalisation of a vast majority of the population from the developing and least developed countries

policies. The Philippines experience shows that the impact of changes taking place in agriculture can be seen in the steady marginalisation of the food grains sector. Production of both rice and wheat fluctuated in the 1990s, and imports of these two commodities have increased. Rice imports reached more than 20 million tonnes in 1998, the highest in recent decades, and its share in total agricultural imports was as high as 35 per cent in that year.

India, like other developing countries, has offered only bound levels of tariffs. India had imposed quantitative restrictions on the import of agricultural products citing Balance of Payment (BoP) crisis as the reason. However, US had reasons to believe that India was not facing genuine BoP problem and therefore dragged it to the Dispute Settlement Body to lift quantitative restriction. It is predicated that lifting of QRs coupled with binding of tariffs is certain to hit the long-term sustainability of Indian agriculture, and thereby adversely impact the country's food security.¹⁴⁵

Liberalisation of trade in general and agricultural trade in particular has led to marginalisation of a vast majority of the population from the developing and least developed countries. They are becoming more and more food insecure due to a multiplicity of factors in the post-Uruguay Round era, some of them are outlined in the Box 4.3.

Box: 4.3

Why is food insecurity on the rise?

- **Cheap imports:** The countries, which are seemingly less competitive in agricultural production, have resorted to liberalisation of import as a means to ensure food security. Among the measures taken by them, reduction of tariff and opening of the floodgate for cheap imports – both from commercial channel and dumping – are common. This has resulted in massive erosion of the capacity of the small and marginal farmers to compete with international traders thereby making them further marginal and food insecure. The FAO reports, for instance, that more than 300,000 jobs have been lost in Sri Lanka as a result of cheap imports, which also resulted in drops in production of onions and potatoes. Similarly, in Thailand, the price of palm oil has fallen from 4 Bhat per kg. in 1997 to 0.75 Bhat per kg. in 1999.
- **Lack of market access:** Greater market access for the exports of weaker countries was used as a plank by the developed countries while making them agree to sign the AoA. However, when the weaker countries want to export their agricultural products they find increased trade barriers and reduced market access due to a number of tariff (e.g., dirty tariffication, tariff escalation) and non-tariff (e.g., sanitary and phytosanitary requirements) barriers. Unless and until these countries are provided greater access to the markets of the developed countries, they cannot increase their export earning and be able to meet their surging food import requirement. Kenya's attempt to move into new export areas, such as horticulture, has not brought any sense of respite since the EU impose high tariffs on them during certain seasons. According to the World Development Report 1998, Kenya's terms of trade have declined by about 75 per cent since 1980s so that it can today buy only three quarters of what it could buy with the same amount of exports in 1980.

- Displacement of lands: In a bid to augment their export earning, countries which are primarily dependent on agricultural products have diversified their cropping pattern – giving way to plantation of cash crops by converting the lands devoted for the purpose of production of staple food to ‘cash crop factories’. To further exacerbate the problem, the non-traditional cash crops produced by the so called ‘factories’ have not been able to get a secure market when it comes to exporting. In the case of the Philippines, for example, attempts of the peasants to export high-value agricultural products have been unfortunately a failure. The Philippines government has admitted that 350,000 jobs are lost annually, mainly from labour intensive traditional crops – corn, rice, and sugar.
- Reduction in domestic support: Those governments, which have implemented the UR AoA in letter and spirit, unlike the US, EU or Japan, have significantly reduced domestic support to their farmers. The Philippines is a case in point. In a study conducted by Antonio Tujan as quoted in *Trade and Hunger: An Overview of Case Studies on the Impact of Trade Liberalisation on Food Security*, a compilation of studies done by John Madeley in October 2000, the Philippine government has faithfully implemented its commitments under the Uruguay Round. It has liberalised trade and allowed the import of more sugar. But when imports from efficient, low-cost source are suddenly coming into a country, it is bound to suffer, and people from low-income group are left to bear the brunt. In the case of the Philippines 400,000 workers of inefficient sugar industries, who have lost their jobs due to cheap import from abroad, are the main victims of the government policy to embark upon the path of early implementation of AoA.
- Increase in input prices: Due to withdrawal of support for inputs procurement, privatisation of the agricultural inputs sector, and the resultant commercialisation of this sector and finally the domination of agricultural inputs trade by a handful of transnational corporations, the input prices are rising. In Thailand, for instance, the price of fertilisers, pesticides and herbicides have risen by as much as 40% between 1997-98. Given the fact that the farmers have to compete with cheap imports, they are witnessing tremendous erosion in their ability to compete, and their margins are shrinking. So much so that some of the farmers have abandoned farming.

Sources: John Madeley (2000); Aileen Kwa (2000)

Above all, dependence on imported food is likely to constrain the developing countries and LDCs in exercising their foreign policy options

Reliance on trade to bridge the shortfall between production and consumption is not free from risks. The risks include uncertainty of supplies and instability of world market price. Access to global market for meeting the food requirements requires access to the required foreign exchange. Given the past level of export performance and the projected global economic conditions, a sustained export performance for most developing countries, including countries of the region, appears to be a chimera. Further, when needed, food may not be readily available in the international market if there is a simultaneous shortfall in the major supplying markets, leading to a steep rise in prices. Over and above, dependence on imported food is likely to constrain them in their foreign policy options.

4.5 Food security in South Asia

In a document prepared by FAO titled: *Impact of the Uruguay Round on Agriculture*, for the Sixtieth Session of Committee on Commodity Problems, held on 3-7 April 1995, the following forecasts were made under the rubric *Impact by Region*:

South Asia, where four countries are least developed, is largely self-sufficient in basic cereals although a net exporter of rice and a net importer of wheat. It is also a net importer of oilseeds and dairy products but a major exporter of a number of agricultural commodities such as tea, spices, cotton, jute, tobacco and fruit. On balance the region may be a smaller loser in the net trade in the basic foodstuffs except for possible gains in the rice sector although the concentration of gains in rice would favour Japonica rice exporters more than the Indica rice exporters of this sub-region.¹⁴⁶

South Asia is home to most undernourished population, second only to Sub-Saharan Africa

Over 500 million South Asians, who live in absolute poverty, are unable to afford even two square meals a day

It was predicted by FAO that out of the total increase in food prices 15% could be ascribed to the Uruguay Round

FAO estimates that the number of chronically undernourished people in the world is rising. South Asia is home to most undernourished population, second only to sub-Saharan Africa. As per the forecast made by International Food Policy Research Institute (IFPRI), by 2020, there will be very little reduction in the malnourished children in the developing world as a whole. As per the forecast, in sub-Saharan Africa and South Asia, the number of malnourished children may actually increase.¹⁴⁷

The South Asia region is home to nearly 1.3 billion people, the single largest regional concentration of humankind on the planet. It is endowed with some of the world's greatest river systems, fertile soils and forests. It is also considered as one of the richest regions in the world in terms of bio-diversity. In contemporary South Asia, approximately 80 percent of the people live and work in the rural sector, almost all of them being dependent on agriculture. Agriculture accounts for a little over 30% of the sectoral share of GDP in this region. Despite the massive concentration of workforce in the agriculture sector, over 500 million South Asians, who live in absolute poverty, are unable to afford even two square meals a day.

While the major reason for this state of affairs of the countries in the region is the failure of the domestic policies, international institutions have contributed to exacerbating the problem. While prescriptions of the Bretton Woods Institutions are responsible for the aggravating food insecurity problems in some countries, AoA is likely to further fuel the fire of hunger in the region. According to the SAARC Secretary General "the negotiations under WTO Agreement on Agriculture will exert a strong impact on the vulnerable largely agrarian economies of South Asia."¹⁴⁸

It was predicted that the agricultural trade liberalisation would result in an increase in food prices, which would adversely affect the food importing developing countries. According to the World Food Programme, virtually all the LDCs are food deficit countries, while a majority of low-income countries are recipients of food aid. An UNCTAD/WIDER study (1990) had projected that complete liberalisation of agricultural products would lead to price increase of 43 per cent for rice, 20 per cent for wheat, 15 per cent for maize and 12 per cent for sorghum.¹⁴⁹

For developing countries as a whole, the FAO had projected that their food import bill in 2000 would be nearly US\$ 25 billion higher than in

1988. About US\$ 3.6 billion of this increase (approximately 15 per cent) would be due to the Uruguay Round.¹⁵⁰

On the average, there has been an increase in per capita availability of food in South Asia. The proportion of undernourished people in total population is declining in all the countries of this region. In spite of this decline, 58 percent of the children of South Asia are currently malnourished. Another matter of concern for most of the South Asian countries is the presence of severe inequality. This prevents the poor from taking advantage of the increased supplies of food. The lack of access to both food and nonfood goods and services due to poor infrastructure development is another feature of most South Asian countries.

Various studies by FAO and IFPRI have suggested that in the next 25 years, South Asia's food requirements are likely to double, while its natural resource base is likely to shrink. South Asia carries 21 percent of the world's population on just three percent of its land area. This region already has a high proportion of its land under cultivation and relatively little under forest and pastures. Over the next quarter century, countries in the region will need to feed their growing populations on increasingly restricted natural resources. Increased urbanisation and industrialisation are likely to put more pressure on natural resources of this region.

Among the South Asian countries, the main food crop of Bhutan, Bangladesh, India, Nepal and Sri Lanka is rice. The main food crop of Pakistan is wheat. Importance of rice and wheat in the food basket of South Asian countries cannot be overstated.

A study on import pattern of food grains of South Asian countries reveals that most of the countries of this region are not self-sufficient in food grains

A study on import pattern of food grains of South Asian countries reveals that most of the countries of this region are not self-sufficient in food grains. It is important to find out what proportion of production of these food grains are imported by these countries, which will give a clearer picture of self-sufficiency of food grains. Table 4.1 presents the quantity of imports of rice and wheat as a percentage share of production for the South Asian countries.

Table 4.1: Imports of food grains as a percentage share of production

Rice (%)	1990	1991	1992	1993	1994	1995	1996	1997
Bangladesh	14.19	0.58	0.64	0.77	2.47	59.32	23.24	1.60
Bhutan	451.93	553.72	455.40	517.26	599.40	539.46	539.46	539.46
India	0.59	0.11	0.94	0.63	0.06	0.00	0.00	0.00
Nepal	3.31	0.93	9.67	11.04	21.20	11.77	18.38	8.10
Pakistan	0.01	0.00	0.01	0.05	2.66	0.01	0.22	0.03
Sri Lanka	51.92	55.65	101.39	72.27	12.04	3.24	140.43	136.61
Wheat (%)								
	1990	1991	1992	1993	1994	1995	1996	1997
Bangladesh	0.43	0.59	0.54	0.38	0.28	0.53	0.33	0.32
Bhutan	4.03	5.69	3.70	3.42	2.31	4.00	4.00	4.00
India	0.01	0.00	0.13	0.02	0.00	0.00	0.05	0.18
Nepal	0.00	0.00	0.10	0.02	0.00	0.01	0.00	0.00
Pakistan	4.19	2.00	4.32	4.82	3.68	4.40	3.05	3.85
Sri Lanka	2.32	2.80	3.35	3.43	3.22	3.65	4.27	3.90

Source: FAOSTAT Database, cf. Bhattacharya, B. and Pal, P. (1999)

From table 4.1, it is evident that almost all the countries in this region are not self-sufficient in food grains. Among the rice importers, all the South Asian countries except India are dependent on imports. The dependency is highest for Bhutan. However, data reveal that Sri Lanka and Bangladesh are gradually becoming more import dependent. This is a major cause for concern. As far as wheat is concerned, the dependency is much less. However, it is worth mentioning that apart from Pakistan, wheat is not the main cereal in other South Asian countries.

Two fundamental concerns in South Asian countries are fluctuation in domestic production and increased dependency on "trade" to meet their domestic demand for staple food

Similarly, as per the latest figure of FAO, the imports of major food grains in South Asia exhibit an erratic trend, but they have increased during the recent periods. A rundown at Table 4.2 shows that total import of rice in the SAARC region as a whole has increased by 132 per cent over the past five years. The table brings at least two fundamental concerns into notice. The first and foremost is the fluctuation in domestic production and secondly, increased dependency of South Asian countries on 'trade' to meet their domestic demand for staple food.

Within the region, Bangladesh continues to be the largest importer of rice, and the import has been exhibiting a rising trend, except for the year 1997 when imports fell in almost all countries in the region. Bhutan has been able to reduce its dependence on imported rice, but not without having to increase the import of wheat (see table 4.3). India has been facing steep rise in the rice import since 1997. However, with the exceptionally good harvest in the year 2000-01, the import of rice is likely to be reduced. In the case of Pakistan too the import of rice has been exhibiting an increasing trend since 1997, but considering the size of the population of Pakistan these figures are not significant. The figures of rice import in Maldives have remained static for the last four years. However, in the case of Sri Lanka the trend is highly erratic.

Table 4.2: Imports of rice in South Asia (in MT)

Country	Year				
	1995	1996	1997	1998	1999
SAARC Total	1,081,710	1,444,036	552,873	1,341,472	2,512,153
Bangladesh	995,946	1,038,199	179,444	1,127,208	2,215,322
Bhutan	24,944	28,527	19,321	9,700	9,600
India	52	2	54	6,635	50,094
Maldives	11,595	18,429	18,429	18,429	18,429
Nepal	40,000	68,000	29,500	11,100	11,100
Pakistan	68	1,390	200	854	1,471
Sri Lanka	9,106	289,489	305,925	167,547	206,137

Source: FAOSTAT Database

The export income of South Asia has not kept pace with the rapidly increasing import of staple food grain in the region, which is a cause for serious concern

Table 4.3 provides the details of wheat import by South Asian countries over the last five years. Since wheat remains the second most important staple food in all the South Asian countries (except for Pakistan where it is the first), it is important to analyse the import trend of the same before drawing any conclusion on the vulnerability of South Asia's food security. While Pakistan naturally tops the list of wheat importing countries within the region, Bangladesh comes second. It is to

be noted that Bangladesh is the largest importer of staple food in the region, as it also imports rice in a substantial quantity.

The imports of wheat in both Bhutan and Maldives have remained static over the period of last three years. Nepal's import of wheat, which has substantially increased during the year 1999, is higher than its rice import. This could be because Nepal does have substantial population, especially in the Southern part of the country, where staple food grain is wheat, whereas rice is the major staple crop produced in the country. Sri Lanka has managed to maintain the quantity of wheat import almost at the similar level for the past four years. The import is, however, quite high considering the fact that it does not have a huge population to feed (like Bangladesh) and it also imports rice in a fairly respectable quantity. In view of the size of its population, India's import of wheat, which has registered a decline during the year 1999, should be considered quite reasonable. Since India also exports agricultural commodities classified as food in large quantities, it is the only net food exporter within the region. However, one cannot expect the same situation to continue after, say, a decade or so.

Table 4.3: Imports of wheat in South Asia (in MT)

Country	Year				
	1995	1996	1997	1998	1999
SAARC Total	5,043,458	4,677,046	6,290,592	6,231,918	8,001,029
Bangladesh	1,380,849	1,199,270	1,411,860	1,040,304	2,423,700
Bhutan	9,290	16,288	20,000	20,000	20,000
India	8,240	612,676	1,485,781	1,804,027	1,436,300
Maldives	1	2	0	0	0
Nepal	2,897	700	0	4,000	24,500
Pakistan	2,616,581	1,968,110	2,500,203	2,520,071	3,239,759
Sri Lanka	1,025,600	880,000	872,748	843,516	856,770

Source: FAOSTAT Database

Despite a substantial increase in grain production, over the last 50 years, India is home to nearly half of the world's hungry people and is still classified by the FAO as a 'low-income and food-deficit' country. "Around 35 percent of India's population – 320 million – are considered food-insecure, consuming less than 80 per cent of minimum food requirements, the World Food Programme says in its country report 1997-2002 on Food Aid Intervention in India."¹⁵¹

Listed as a food deficit country by the FAO, Pakistan has already faced severe shortages over the last three years. Although domestic demand has been met through imports, the government has so far failed to come up with a plan to overcome long-term food insecurity in a country where 19 per cent of the people are undernourished. By the Year 2010, the demand for wheat will increase by 29 percent from its present level but its production is only projected to register a 22 percent rise.¹⁵²

Given the possibility of increased demand for food grains in the years to come, South Asian countries can face food insecurity in the near future, unless there is a sustained growth in the production of food grains. But, due to demographic pressures, not much scope exists for increasing the amount of cultivated land in this region. Future production increases must come from yield increases. However, yield growth rates have

Given the possibility of increased demand for food grains in the years to come, South Asian countries can face food security problem in the near future, unless there is a sustained growth in the production of food grains

reached a plateau in this region. Considering the large projected demand for food in the region, the decline in agricultural productivity is a matter of serious concern.¹⁵³

4.6 Issues for analyses

It has become evidently clear that the AoA seems to have more S&D provisions for rich countries than for poor. The AoA includes several 'boxes' that disproportionately benefits developed countries. In contrast, the S&D provisions for developing countries – e.g., longer implementation periods – have failed to offer the flexibility they need to address their food security needs.¹⁵⁴

There are countries, which have felt the need for providing greater market access to the products of the developing and least developed countries into Northern market in order to help them overcome the problem of foreign exchange. This could partially solve the problem of food security because they would have sufficient foreign currency to purchase food from the international market, if they faced scarcity at the domestic level. This issue was raised during the UR itself and is often repeated. However, nothing concrete has been done in terms of providing better access to the South in the Northern market.

Merely providing greater market access to the products emanating from the developing countries is no solution

One has to, however, take cognizance of the fact that market access alone cannot solve the problem of food security. Those arguing in favour of it have clearly missed the point that unless and until supply-side constraints of the developing countries, especially the LDCs were removed, the provision of whatever incremental market access benefits have been provided would be meaningless.

Dubey (1996) argues that in the long run, there could be increase in domestic agricultural production in developing countries in response to higher world prices. But supplies in these countries may be inelastic to price changes because of the infrastructural bottleneck and paucity of resources for investment in agriculture.¹⁵⁵

On the issues of food security, there are four strands of arguments put forward by WTO Member countries. Norway focuses on the role of domestic production in ensuring food security. Japan and Republic of Korea have presented the perspective of the large net importers of food grains as regards food security. According to Switzerland, the question of supply of food grains needs to be formulated not just in quantitative terms but also in qualitative terms.

Dependence of a large proportion of the population on the rural economy, in particular, agriculture and high incidence of poverty are the characteristic features of the South Asian economies

The developing countries' perspective on food security has been emphasised by India. The points made by India address two characteristic features of developing countries, which are pertinent in the context of the issue of food security. These are (i) dependence of a large proportion of the population on the rural economy, in particular, agriculture and (ii) high incidence of poverty.¹⁵⁶

Some argue that developing countries should invest more in agricultural research, especially in biotechnology and other frontier technologies that directly address the needs of the poor farmers, to achieve future food security. Pinstrup-Andersen, Director-General of the IFPRI is one among those who made such arguments. He further mentions, "The private sector is unlikely to undertake much of the research needed by small farmers in developing countries because it cannot expect to recuperate sufficient economic gains to cover the costs. Benefits to

It is not possible for South Asian countries to come out of food insecurity trap unless and until they join hands together to radically alter the AoA, which in its present form only breeds food insecurity

society from such research can be extremely large but will be obtained only if the public sector makes the research investment.”¹⁵⁷

However, it is not possible for developing countries in general and South Asian countries in particular to come out of food insecurity trap unless and until they join hands together to radically alter the AoA, which in its present form only breeds food insecurity for half of the global population. The on-going review of the AoA offers a window of opportunity, and developing countries should be able to use that to their best advantage. However, such efforts will require solid unity among the developing countries, which they showed, for example, during the Seattle Ministerial Meeting. As they have tasted the blood, there is every likelihood of them feeling emboldened.

Issues for Comments

- Given the sensitivity and complexity of the issue concerning food security would it not be advisable to urge the United Nations, with much broader social and economic mandate, to become the primary forum for establishing multilateral policy on food security?
- How far will the two boxes proposed by the developing countries, namely ‘development box’ and ‘food security box’ are likely to address the problem of food insecurity in the South Asian countries?
- Since anti-dumping and competition policy have been kept completely out of the AoA would not it be advisable to bring these issues back on the table for discussion as a means of ensuring food security?
- Wouldn’t it be advisable to initiate a separate negotiation on international convention on sustainable food security outside the WTO, whereby the issue of food security is elevated to the highest level in international law?
- If there were to be a common position of South Asian countries on food security, how should it be shaped?

CONCLUSIONS

Changes in economic policy within states are increasingly being driven by external political and economic pressures. Such pressures come from the globalisation of markets, the growth of economic interdependence and the increasing effectiveness of multilateral regimes. This suggests that domestic policies are no longer just geared to domestic interests. The increase in economic interdependence and the effectiveness of international trade regimes are influencing the political accountability of national governments, forcing them to accommodate the interests of other state actors as well as the collective interests of international groupings.

However, it may be too simplistic to argue that economic policy changes take place only as a result of international pressure, political or economic. Both "Agenda 2000" of the EU and the new Basic Law on Food, Agriculture and Rural Areas of Japan may be cited as examples to show that domestic pressures have a very important role to play in policy reforms. Also the initiatives in trade liberalisation taken by the SAARC countries during 1990s support this claim.

The Agreement on Agriculture had raised expectations that the world as a whole and different groups of countries, including the developing and the least developed, would benefit from agricultural liberalisation. However, the speed and scope of its implementation have belied these expectations much to the disadvantage of developing countries.

The Agreement foresees a "continuation of the reform process". However, the mandated review has become problematic. Firstly, conceptual clarity has not been achieved. In other words, WTO Members still have differences over whether the review should be limited to trade concerns (export subsidies, domestic support, and market access) only or it should also encompass non-trade concerns and special and differential treatment for developing countries ("pentangle" approach).

From the civil society organisations' perspectives, even the "pentangle" approach does not fully capture the global dynamics distorting world trade in agricultural products. They see also the need for examining the effects of dumping and predatory pricing, food security, and the role of multinational companies in world food trade. Secondly, Members are also wrangling over procedural aspects of the review. This may be seen, for example, in their inability even to agree on a Chairperson to lead the deliberations. Unfortunately, they seem to be prepared to move away from the "merit principle" in the interest of a particular group of countries.

One of the thorny issues related to the review is the position taken by some countries (notably EU and Japan) with regard to the "multifunctionality" of agriculture. They maintain that agriculture being related to the conservation of environment and biodiversity, food security, regional landscape, cultural heritage, and rural development further negotiations should take these factors into consideration. On the other hand, the pro-liberalisation lobby is uneasy with the idea of multifunctionality, and sees it as but another fancy defense against liberalisation.

It is interesting to note that the 'liberals', especially the Cairns Group countries, are coming close to the developing countries. Their main offer is 'special and differential treatment' to the developing countries. However, their objective is to achieve further liberalisation of agriculture at any cost and even at the cost of what developing countries have been voicing for.

The developing countries want the restrictions on market access on their agricultural produce, which are brought about by prohibitive duty in the developed countries, lifted. The over-emphasis on exports, for example, may lead to shortage of food in the local market. Consequently, local food prices will rise. The nutrition of the poor, who purchase food in local markets, may suffer. And in situations where export production is less labour-intensive, reduced employment will also have adverse effect on food security of landless farm labourers.

One must, therefore, take note of the fact that liberalisation of agricultural trade is being associated with an increasing marginalisation of a vast majority of the population from the developing and least developed countries. This may be attributed to cheap imports leading to unemployment of the farm labour, tariff and non-tariff barriers imposed by developed countries limiting market access for developing country products, tendency to use lands for cash crops at the cost of food grains, declining food aid because of price increase led by reduced domestic support, and increase in cost of agricultural inputs.

Since the SAARC countries are largely dependent on agriculture, and majority of their population are engaged in the farm sector, it is necessary for them to seek some special and differential treatment in order to sustain on-farm employment. The high incidence of poverty in rural areas makes it all the more necessary to address the problems of the farming community.

On the other hand, they should be able to meet their food requirements even in a situation of volatile international prices of food grains and severe foreign exchange crunch. In order to achieve this, they should be pressing for more flexibility in the implementation of the Agreement on Agriculture. This is, however, only one aspect of benefiting from the WTO system. The other aspect is to be able to overcome the supply-side constraints. This is especially so for the least developed countries in the region. Unless the supply-side constraints are removed, the provision of any market access benefits will be meaningless.

The on-going review of the Agreement offers a window of opportunity for developing and least developed countries, including those in the SAARC region to correct the anomalies in the system. They should be able to use it to their best advantage. In particular, the SAARC countries should adopt a common position and seek collectively increased access to agricultural markets in the developed countries. They should also seek access to technologies and other resources for enhancing both outputs and productivity in the agriculture sector. The idea of a 'development box' also needs to be carried further as it provides the kind of flexibility the developing countries need. With this 'box', they may be integrated into the multilateral trading system without the risk of exclusion of a large part of their populations from the whole process.

The Agreement on Agriculture represents both an opportunity and a challenge for the SAARC countries. It provides them with an opportunity to tune the agricultural production system to the widening access in the international market with a view to address the problem of poverty through the expansion of trade. On the other hand, it brings a number of challenges in the form of competition, international obligation and market dynamics.

Similarly, the need to create an appropriate policy environment at home for overcoming a number of supply-side constraints also becomes a formidable task in this context. And, these problems can be better addressed collectively than individually. Obviously, the SAARC countries should be focusing on regional cooperation more intensively than ever. But, this is easier said than done. As long as the politics-dominated issues are not resolved, economic integration will be difficult to achieve. It may even be sacrificed at the altar of politics.

ENDNOTES

- ¹ Croome, John (1995), *Reshaping the World Trading System: A History of the Uruguay Round*, WTO, Geneva: 110-1.
- ² Bernard Hoekman and Michel Kostecki (1995), *The Political Economy of World Trading System: From GATT to WTO*, Oxford University Press, Oxford: 200
- ³ Croome (1995), *above*, note 1: 104-5.
- ⁴ Bernard Hoekman and Michel Kostecki (1995), *above*, note 2.
- ⁵ Named after Cairns city in Australia (where the first meeting was held) the 15 members of this group include: Argentina, Australia, Brazil, Canada, Chile, Columbia, Fiji, Indonesia, Malaysia, New Zealand, Paraguay, South Africa, Thailand, the Philippine, Venezuela, Uruguay. Three other countries, namely Bolivia, Costa Rica, Guatemala have joined this Group recently, taking its total membership to 18.
- ⁶ Cf Cairns Group's Website : www.craingroupfarmers.org
- ⁷ Bernard Hoekman and Michel Kostecki (1995), *above*, note 2: 203-4
- ⁸ Named after the author of the Text Aurther Dunkel, the draft was issued in December 1991 which was instrumental in brining the EC and US closer in agriculture and other sectors. This draft also became the benchmark for remaining negotiations.
- ⁹ Dale E. Hathaway and Merlinda D. Ingco (1996) "Agricultural Liberalisation and the Uruguay Round" in Will Martin and L. Alan Winters (eds.) *The Uruguay Round and the Developing Countries*, The World Bank, University Press, Cambridge: 34-5
- ¹⁰ There are no agreed definitions of tropical and temperate products. However, beverages like tea, coffee and cocoa; cotton and hard fibers like jute and sisal; fruits like bananas, mangoes and guavas; and other products that are predominant in developing countries are treated as tropical products. Similarly, cereals like wheat and other grains, fruits and vegetables, meat, dairy products, and sugar are treated as temperate products.
- ¹¹ ITC/CS (International Trade Centre/Commonwealth Secretariat) (1999), *Business Guide to the World Trading System*, Geneva:172.
- ¹² ITC/CS (1999), *above*, note 11: 185.
- ¹³ Adhikari, R (2000), "Agreement on Agriculture and Food Security: South Asian Perspective," in *South Asian Economic Journal*, Vol. 1, No. 2, September 2000, Colombo.
- ¹⁴ Ghimire, Hiramani (2000), "The WTO Agreement on Agriculture and Food Security," a paper presented at the South Asian Capacity Building Workshop on Food Security, organised by South Asia Watch on Trade, Economics and Environment (SAWTEE), Forum for Protection of Public Interest (Pro Public) and Consumer International-Regional Office for Asia and the Pacific (CI-ROAP), July 11-13, 2000, Kathmandu: 4
- ¹⁵ Cf. Pandey, Posh Raj (2000), "WTO, Tariff and Non-tariff Barriers," a paper presented at the seminar on *WTO, UNCTAD, and Regionalism: Implications for the Private and Public Sectors in South Asia*, 2-3 August, 2000, Colombo: 18-20.
- ¹⁶ The term multifunctionality refers to non-trade functions of agriculture such as environmental protection, food security, the economic viability and development of rural areas, and preservation of landscape and is brought to the table by some countries that are against agricultural liberalisation. The EU and Japan are its strong advocates.

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- ¹⁷ WTO (2000a), *Agreement on Agriculture: Special and Differential Treatment and a Development Box*, Proposal to the June 2000 Special Session of the Committee on Agriculture by Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicargua, Kenya, Uganda, Zimbabwe, Sri Lanka and El Salvador, G/AG/NG/W/13, 23 June 2000, Geneva.
- ¹⁸ Adhikari, Ratnakar (2000), *above*, note 13: 6
- ¹⁹ Gulati, Ashok and Sudha Narayanan (2000), "Cork the genie back into the bottle" in *The Economic Times*, 17 August 2000, New Delhi.
- ²⁰ WTO (2000b), *Agricultural Trade Performance by Developing Countries 1990-98*, G/AG/NG/S/6, 23 May 2000, Geneva.
- ²¹ It may be recalled that on 6 December 1993, nine days before the conclusion of the Uruguay Round, Peter Sutherland, Director General of GATT had indicated to the press that failure to reach an agreement on agriculture would mean "a very, very serious crisis that would threaten the whole trade talks" (Croome 1995: 368). Moreover, the opening up of agriculture was the real negotiating battle at the Seattle Ministerial Meeting of the WTO.
- ²² Croome (1995), *above*, note 1 :362.
- ²³ De Melo, Jaime (1998), "Macroeconomic Management and Trade Reform: A Political Economy Perspective" in: Nash, John and Wendy Tracks (eds), *Trade Policy Reform:Lessons and Implications*, The World Bank. : 5-20.
- ²⁴ De Melo (1998), *above*, note 23: 43-47.
- ²⁵ The Japanese agreement at the end of the Uruguay Round to discuss agricultural liberalisation was made by a coalition government that did not include the LDP, the longest ruling party in Japan. As a result, the Liberal Democratic Party (LDP) and the farm lobby have never forgiven the politicians who agreed to the Agreement on Agriculture. Obviously, they would not repeat the mistake by agreeing to further liberalisation (*cf.* Nakamoto 1999).
- ²⁶ Nakamoto, Michiyo (1999): "JAPAN: Farm lobby proves a powerful force" in *The Financial Times*, 29 November 1999, London.
- ²⁷ ESCAP (1996), *Asian and Pacific Developing Countries and the First WTO Ministerial Conference* (Studies in Trade and Development 22), United Nations, New York: 130-1.
- ²⁸ In the interest of American companies doing business in Central American countries, the USA successfully challenged the case in the Dispute Settlement Body under the WTO. The dispute brought into question the compatibility of the Lome Convention with the WTO. The situation was regularised when the EU obtained a waiver until 2000, the time when the Lome Convention expires.
- ²⁹ Stevens, Christopher (n.d), *Agricultural Trade*, Background Briefing No. 3, Institute of Development Studies, London.
- ³⁰ The World Bank (2000), *Entering the 21st Century: World Development Report*, 1999/2000, Washington D.C.
- ³¹ ADB (Asian Development Bank) (1999): *Asian Development Outlook 1999*, Hong Kong.: 129-31.
- ³² Murphy, Sophia (1999a), *Trade and Food Security: An Assessment of the Uruguay Round Agreement on Agriculture*, Catholic Institute for International Relations, London: 30
- ³³ Varma, M.L (1995), *International Trade*, New Delhi:105-111.
- ³⁴ Cf. ADB (1999), *above*, note 31: 135-6.

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- ³⁵ The AoA allows developing countries to use public stockholding of food crops for food security purposes “provided that the difference between the acquisition price and external reference price (i.e., the international reference price) is accounted for in the AMS. See Sharma, Devinder (2000), *Selling Out: The Cost of Free Trade for Food Security in India*, The Ecological Foundation, New Delhi and The UK Food Group, London.
- ³⁶ Sharma, Shankar Prasad (2000), “Economic Liberalisation in Nepal” in *Perspectives for Nepalese Economy* (Souvenir published on the occasion of Export Promotion Meeting 2000) Ministry of Commerce, Nepal: 1-2; Sharma, Shankar Prasad (1997), “Market-led development strategy in Nepal” in Bhattachan, Krishna and Chaitanya Mishra (eds) *Developmental practices in Nepal*, Kathmandu: 61-63.
- ³⁷ Cf. HMG Ministry of Finance (1999), *Economic Survey 1998-99*, Kathmandu.
- ³⁸ NPC (National Planning Commission) (1995), *Agricultural Perspective Plan (1995-2015)*, Kathmandu.
- ³⁹ ADB (1999), *above*, note 31:146-7.
- ⁴⁰ ADB (1999), *above*, note 31: 151.
- ⁴¹ Kwa, Aileen (2000), “The Agreement on Agriculture: Change Requires a Hero’s Journey” in *Focus on Trade*, No. 57, December 2000 (Seattle Anniversary Issue), Focus on the Global South, Bangkok.
- ⁴² ADB (1999), *above*, note 31: 129-30.
- ⁴³ ADB (1999), *above*, note 31: 139.
- ⁴⁴ See *The Economic Times*, 2 February 2000, New Delhi.
- ⁴⁵ See *The Kathmandu Post*, 17 December 2000, Kathmandu.
- ⁴⁶ It must be noted in this context that the civil society still tends to see itself as excluded from policy debates on Nepal’s accession to the WTO. See, for example, Adhikari (2000b), for concerns over the negotiating strategy of the government.
- ⁴⁷ Venu, M.K (2000), “Liberalising Agriculture” in *The Economic Times*, 6 May 2000, New Delhi.
- ⁴⁸ Matto, Aaditya and Arvinda Subramanian (2000), “India and the multilateral trading system”, in *The Economic Times*, 2 May 2000, New Delhi.
- ⁴⁹ Pant, Manoj (2000), “WTO and Agricultural Trade”, in *The Economic Times*, 22 January 2000, New Delhi; RIRDC (Rural Industries Research & Development Corporation) (1999), Has Japanese agricultural protection had its day? Policies for the new millennium, Australian National University.
- ⁵⁰ Sometimes, political risks are too big for governments to take. In India itself, a sharp rise in onion prices in 1998 took the life of the then government in Delhi. Can one expect the government to curb export restrictions that would trigger a price rise at home? For political implications of reform in the context of WTO, see also Matto and Subramanian (2000), *above*, note 48.
- ⁵¹ Croome (1995), *above*, note 1: 114.
- ⁵² WTO (2000c), *Proposal for Comprehensive Long-term Agricultural Trade Reform: Submission from the United States*, G/AG/NG/W/15, 23 June 2000, Committee on Agriculture Special Session, WTO, Geneva.
- ⁵³ Donald, Bruce (1999), “The WTO (WTO) Seattle Ministerial Conference, December 1999: Issues and Prospects”, Current Issues Brief 12, 1999-2000, Parliament of Australia.

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- ⁵⁴ The Policy Matrix Evaluation (PEM) report of the OECD specifies that the effects of a given amount of support may differ substantially among the support measures used to provide that support. Area payments, even when assumed to be implemented with a requirement to plant, were found to be relatively more income efficient and less trade distorting than market price support, payments based on output, or payments based on variable input use. Payments based on variable input use were found to be the most inefficient and production distorting (European Communities Proposal: The Blue Box and Other Support Measures to Agriculture, G/AG/NG/W/17).
- ⁵⁵ It is important to note that in the WTO the 15 European Union members negotiate as a single entity. Understandably, the candidate countries for EU membership are unlikely to step out of line with the EU position at the WTO. Switzerland and Norway, which have avoided joining the EU in large part to maintain their even stronger agricultural protection policies, generally support EU arguments.
- ⁵⁶ Cf. Donald (1999), *above*, note 53.
- ⁵⁷ Muroyi, Rosalina (2000), "Talks on Agriculture after Seattle", in *SEATINI BULLETIN*, Southern and Eastern African Trade, Information and Negotiations Initiative, 31 May 2000.
- ⁵⁸ After years of uncertainty, the European Union's Trade Ministers have finally endorsed a proposal to provide duty-and quota-free access to all the products originating from the 48 LDCs of the world into their market. However, some agricultural products (rice, sugar and banana) will be phased in only after 2009.
- ⁵⁹ In a recent WTO meeting on the mandated review of the Agreement, some Cairns Group members frankly confessed in private that they expect serious negotiations only nearer end of 2003, the date of expiry for the 'peace clause' protecting the EU (and for that matter the US too) from disputes over subsidies and support under other WTO rules (Muroyi 2000).
- ⁶⁰ Donald (1999), *above*, note 53.
- ⁶¹ Mulgan, Aurelia George (1997), "The Role of foreign pressure (*gaiatsu*) in Japan's agricultural trade liberalisation", in *Pacific Economic Papers*, No. 266, April 1997 (obtained from <http://coombs.anu.edu.au>).
- ⁶² RIRDC (1999), *above*, note 49.
- ⁶³ RIRDC (1999), *above*, note 49.
- ⁶⁴ Cf. WTO (n.d), Trade Policy Review Body: Republic of Korea, Report by the Secretariat, Geneva.
- ⁶⁵ See WTO (2000a), *above*, note 17.
- ⁶⁶ The other countries are: Cuba, Dominican Republic, Honduras, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, and El Salvador.
- ⁶⁷ The case of non-tariff barriers has become increasingly problematic. One example may be found in the State of Florida's imposition of ban on imports from Myanmar on grounds of human rights violation. The US federal government, which signs international trade agreements, cannot do anything about it. A case is currently in the Supreme Court to decide on the question of jurisdiction.
- ⁶⁸ See *The Economic Times*, 28 March 2000, New Delhi.
- ⁶⁹ For political implications of these rallies, see *The Economist* (2000), "angry and effective" 21 September 2000, London

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- ⁷⁰ The SAARC Commerce Ministers' meeting, which took place in Bandos Island, Maldives in August 1999, may be seen as a step in this regard. It was organised to prepare a "common stand" for the Third Ministerial Meeting (Seattle) of the WTO. The meeting came up with a joint statement that emphasised, among others, the need for concentrating on built-in agendas (mandated reviews like that of the Agreement on Agriculture) rather than a going for a "comprehensive round".
- ⁷¹ Kumar, Nagesh (2000), "Emerging WTO issues and challenges: Imperatives for South Asia", in *South Asia Economic Journal*, Vol. 1, No. 1, March 2000, pp. 5-18.
- ⁷² WTO (2000d), "Introduction" in *Agriculture Negotiations: Backgrounder*, WTO, Geneva, www.wto.org/english/tratop_e/agric_e/negs_bkgrnd02_intro_e.htm: 4
- ⁷³ ICTSD (2000c), "NGOs Actively Seek Reform of WTO Agriculture Agenda" in *BRIDGES Weekly Trade News Digest*, Vol. 4, Number 41, October 31, 2000, Geneva: 2
- ⁷⁴ ICTSD (2000b), "AG Talks Begin, Members Divided over Chair" in *BRIDGES Weekly Trade News Digest*, Vol. 4, Number 12, 28 March 2000, Geneva: 2
- ⁷⁵ Murphy, Sophia (1999a), above, note 32: 34
- ⁷⁶ Bello, Walden (1999), "Stakes are Higher than Ever in 1999 Review of Agreement on Agriculture," in *Food Security: The New Millennium*, Consumers International Regional Office for Asia Pacific (CI ROAP), Penang.
- ⁷⁷ Cf. Kwa, Aileen (1999), "Summaries of the Analysis and Information Exchange (AIE) Papers submitted to the WTO Committee on Agriculture", in *Focus on Trade*, No. 33, January 1999, Focus on the Global South, Bangkok.
- ⁷⁸ Kwa, Aileen (1999), *above*, note 77.
- ⁷⁹ Murphy, Sophia (1999a), *above*, note 32: 36
- ⁸⁰ Kwa, Aileen (1999), *above*, note 77.
- ⁸¹ Murphy, Sophia (1999a), *above*, note 32: 36
- ⁸² Adhikari, Ratnakar (1999), "Impacts of WTO Agreements on Food Security", in Ratnakar Adhikari and Narad Bharadwaj (eds.), *Food Security: Prospects and Challenges*, Pro Public, SEWA Nepal and ActionAid Nepal, Kathmandu.
- ⁸³ WTO (2000d), *above*, note 72: 2-4
- ⁸⁴ WTO (2000e), "Export subsidies and competition" in *Agriculture Negotiations: Backgrounder*, WTO, Geneva, www.wto.org/english/tratop_e/agric_e/negs_bkgrnd03_export_e.htm: 1
- ⁸⁵ WTO (2000f), *Export Subsidies – Food Security or Food Dependency*, G/AG/NG/W/38, 27 September 2000, Committee on Agriculture Special Session, WTO, Geneva: 1
- ⁸⁶ WTO (2000e), *above*, note 84: 3
- ⁸⁷ WTO (2000c), *above*, note 52: 3-4
- ⁸⁸ WTO (2000g), *Cairns Group Negotiating Proposal: Export Competition*, G/AG/NG/W/11, 16 June 2000, Committee on Agriculture Special Session, WTO, Geneva: 1-2
- ⁸⁹ WTO (2000h), *European Communities Proposal: Export Competition*, G/AG/NG/W/34, 18 September 2000, Committee on Agriculture Special Session, WTO, Geneva: 1-4

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- ⁹⁰ WTO (2000a), *above*, note 17.
- ⁹¹ WTO (2000a), *above*, note, 17: 5
- ⁹² WTO (2000i), Special and Differential Treatment for Developing Countries in World Agriculture Trade: Submission by ASEAN, G/AG/NG/W/55, 10 November 2000, Committee on Agriculture Special Session, WTO, Geneva: 1-2
- ⁹³ WTO (2001a), *Proposals for WTO Negotiations submitted by Republic of Korea*, G/AG/NG/W/98, 9 January 2001, Committee on Agriculture Special Session, WTO, Geneva
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- ⁹⁵ WTO (2000j), *above*, note 94: 2
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