

## **Doha Development Agenda Negotiations On Agricultural Sector**

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*Ketika Putaran Doha resmi dibuka di Doha, Qatar pada November 2001, Negara anggota WTO menyetujui putaran ini dinamakan "Doha Development Agenda" (DDA). Sebagian besar Negara berkembang berpendapat bahwa putaran perundingan perdagangan sebelumnya telah menciptakan aturan-aturan yang hanya menguntungkan Negara-negara maju yang berpendapatan tinggi dan mendominasi perdagangan global saat ini. Tulisan ini menyajikan informasi-informasi pada perkembangan perundingan dalam DDA di bidang pertanian. Dalam rangka meningkatkan reformasi pertanian guna memperoleh sistem perdagangan global yang lebih adil dan sederajat, tulisan ini memberikan gambaran proposal dan posisi yang ditunjukkan oleh Negara-negara berkembang dalam perundingan-perundingan WTO dalam 3 pilar permasalahan, yaitu akses pasar (market access), dukungan dalam negeri (domestic support), dan subsidi ekspor (export subsidies).*

### **General Background**

The post World War II international trading system was established on the basic premise that trade is fundamentally in the interest of all parties and contribute to growth, welfare, development and prosperity. This of course refers exclusively to

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legal trade that requires a legal framework. The General Agreement on Trade and Tariff (GATT) produced a code of law, while the World Trade Organization (WTO) extended the law and assumed greater powers of enforcement through the establishment of a quasi judicial dispute settlement mechanism.

The WTO Agreement on Agriculture (AoA) was negotiated in the Uruguay Round (1986-1994) and included specific commitments to improve market access and reduce trade-distorting subsidies in agriculture. The long term objective of this reform is to establish a fair and market-oriented agriculture trading system. The preamble of the AoA also mentioned that the negotiations aim at correcting and preventing restrictions and distortions in world agricultural markets by strengthening and rendering more operationally effective GATT rules and disciplines on agriculture support and protection, and substantially reducing agricultural support.<sup>2</sup>

In spite of this objective, many developing countries saw their development endeavors adversely affected by the outcome of the Uruguay Round negotiations. The experience of developing countries with trade liberalization during the last decade has shown that the massive subsidies and protection in agriculture in major developed countries have not been successfully addressed. The distortions and imbalances in agriculture trade have depressed the prices of agriculture products, as well as incomes and livelihoods of small farmers in developing countries<sup>3</sup>. Since the launched of the current Doha Development Agenda (DDA) trade negotiations, efforts to liberalize and rebalance global agriculture trade through the WTO have made limited progress. Failure to get agreement on the DDA in WTO Ministerial meeting in Cancun in 2003 was only compensated by limited progress at the Hong Kong Ministerial meeting in December 2005. Since then, deadlines after deadlines have been set but to no avail. WTO members are now working towards completing the agriculture and DDA negotiation by the end of 2007.

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<sup>2</sup> South Centre, "The Development Dimension of the Agriculture Negotiations", in *Policy Brief*, no. 7 (April 2007), Geneva, p.2.

<sup>3</sup> *Ibid.*, p.3

The agriculture negotiation is further complicated by the fact that it is part of the single undertaking commitment of the DDA as mandated in the Doha Declaration. This links the agriculture negotiations to the conditions of liberalization commitments to be undertaken by WTO members such as in the negotiations on Non-Agriculture Market Access (NAMA), Services, Rules, Trade and Environment, and TRIPs.

### **Rational for Dealing with the Agricultural Issues**

Agriculture plays a central role in developing countries' economies and the wellbeing their people. At least 50 per cent of the population in developing countries depends on farming and agriculture for their livelihood, the majority in the form of small-scale and subsistence farming. In some developing countries, this figure may rise to about 80 per cent. By contrast, in the developed countries like the United States, only about one per cent of the workforce is in agriculture.

Many developing countries view their development interests are being adversely affected by the multilateral agreements on agriculture. This belief is rooted by the experience that while developing countries have given painful concessions during the Uruguay Round negotiations, and some have even undergone further autonomous liberalization, no real or effective agriculture reform have taken place towards establishing a fairer and more equitable global agriculture trading system. The political will of many developed countries to reforming their agriculture sector is minimal.

Global agriculture trade is clearly an issue that is presently dividing developed and developing countries. Developing countries, with their antiquated farming system and vast number of small resources poor farmers, are at a disadvantage in global agriculture trade. Given the already substantial amount of government support and subsidies, the predicament of developing countries has further benefited developed countries to making them the dominance in agriculture trade.

Since the launched of the Doha Round or DDA negotiations, there has been no significant progress on the reforms in the three-pillar of agriculture trade, namely: domestic support, market access, export competition. Substantial gaps still remain between the developing and the developed countries, due to the fact that domestic support of developed countries remains high and continue to distort world markets. The collapse of the WTO Cancun Ministerial Conference in September 2003 and the suspension of the negotiations of Doha Development Agenda (DDA) in July 2006 were significantly due to the Developed-Developing countries impasse on agriculture.

There are several inter-related aspects in the general problems facing many developing countries relating to global agriculture trade. These include:<sup>4</sup>

- a. The continued high protection of developed countries agriculture sector, including the maintenance of domestic support measures and export subsidies. This prevents developing countries from having access to the agriculture markets of the developed countries, and also facilitates export dumping into the developing countries;
- b. The limited capacity of developing countries to export or to derive adequate benefits in export, including to climb up the "value added" chain of the agricultural products they produce. This constrains the ability of developing countries to fully reap the benefits from agriculture trade;
- c. The rapid liberalization which is resulting in surges of agriculture imports into developing countries markets, depressing domestic the prices, incomes and livelihoods of the farmers;

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<sup>4</sup> Martin Khor, "The Commodities Crisis and the Global Trade in Agriculture: Problems and Proposals", in *TWN Trade & Development Series*, no. 25 (2005), Geneva, Third World Network Publisher, p. 3.

- d. The imbalance of the current global framework governing agriculture trade, much to the disadvantages of developing countries. There are concerns that in the current negotiations at the WTO, developed countries have not yet to offer to real significant reduction their agriculture subsidies. Yet developing countries are being pressured to significantly reduce their tariffs. This is a difficult situation, as further tariff reductions for developing countries in the face of continued protection and subsidies of the developed countries agriculture sector can result in the surge artificially cheap imports into the developing countries, threatening the livelihoods and incomes of farmers.

### **The Issues on Domestic Support**

The underlying development concern on the issue of domestic support relates to unfair competition, faced by developing countries, in their domestic and export markets, as farm support policies of developed countries undercut prices of products from developing countries. There is often confusion on the issue of agricultural domestic support, in particular: (a) on the difference between the allowed levels that members commit not to exceed, and the applied levels of the various subsidies; and (b) on the different types of domestic support subsidies often referred to "boxes".

The WTO Agreement on Agriculture (AoA) distinguishes between different types of domestic support. A distinction is made between "trade-distorting" and non-trade-distorting subsidies. Members are obliged to fix maximum levels of trade-distorting subsidies (Amber Box) and to reduce some of these allowed maximum levels. For subsidies considered non-trade-distorting (the Green Box), there are no maximum levels, and thus members can increase these subsidies without limit. The developed countries have been permitted by the AoA to maintain high levels of trade-distorting domestic support or TDS. These trade-distorting subsidies are in the three categories:

1. The Aggregate Measurement of Support (AMS) or Amber Box, which is linked to intervention on agriculture prices and considered the most trade-distorting;
2. *De minimis* support, certain amounts of domestic subsidy that are allowed, calculated as a percentage of the value of agricultural production; and
3. The Blue Box subsidies, which are supposed to be linked to setting limits on production, which are also considered trade-distorting but less distorting than the Amber Box.

The AoA obliges developed countries to reduce their total AMS by 20% and to limit their *de minimis* support to 10 % of production value; developing countries have to reduce their AMS by 13% and limit *de minimis* support to 20%. The level of the total actual or applied TDS is presently far below the level of total allowed TDS for the US and the EU. This is one of the reasons for the present stumbling blocks to the reaching of an agreement on agriculture modalities. The claim by the EU that it is offering huge cuts in agricultural domestic supports is not backed by real actual cuts.

#### **The Issues on Market Access**

It has been agreed that tariffs be cut according to a "tiered formula," in which there are three or four bands according to tariff ranges, with the band of highest tariffs to be cut by the highest percentage, and so on. The US has proposed that tariffs in developed countries be cut sharply by 60% to 90%, according to a tiered formula. It wants developing countries to reduce by almost the same rates. The EU has proposed more lenient cuts for developed countries and the designation of 8% of tariff lines as sensitive products which are eligible for even more lenient treatment. In responding to the EU proposal, the Group of twenty developing countries or G20 (led by Brazil) estimated that this proposal would result in average cut of 39%, without yet calculating the effects on this average of the inclusion of sensitive products.

The G20 is, however, quite ambitious in the cuts it proposed for developed and developing countries. Its proposal indicates an average 54% tariff reduction for developed countries and an average 36% for developing countries.<sup>5</sup>

The EU offer is seen as inadequate as it would not result in significant cut, especially in products with high tariffs. The EU informally indicated it was willing to increase its offer so as to result in an average tariff cuts around 50% (near to but not reaching the G20 request of 54%). This new offer is of contingent on an adequate offer by the US on domestic support. However, the US, which want an average 66% cut by the EU also indicated that the EU offer is still inadequate.<sup>6</sup>

From a development perspective, the developing countries are most likely to get a bad deal, because there is likelihood that the developed countries' domestic subsidies will not be really reduced, or at best only minimal. Thus the developed countries will be able to continue to dump products that are subsidized at artificially low prices into the poorer countries market that do not provide subsidies for their farmers. In this situation, the developing countries are only able to defend themselves through tariffs, as prohibition and quantitative restrictions are not avail to developing countries. Yet developing countries are being obliged to cut their tariffs even more steeply than during the Uruguay Round, especially since they have to cut all their tariffs (line by line) by the formula, unlike in the Uruguay Round when they only had to cut their tariffs by an overall average of 24%.<sup>7</sup>

For countries with ceiling bindings, the problem is worsening. As they have bound all their agricultural tariff at high levels, applying the tiered formula would mean that these countries have to cut all their tariffs by the highest or near to the highest rate. Countries that receive trade preferences will also suffer from the

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<sup>5</sup> Martin Khor, "The WTO's Doha Negotiations and Impasse: A Development Perspective", in *Third World Network* (November 2006), Geneva, p. 7.

<sup>6</sup> *Ibid.*

<sup>7</sup> *Ibid.*, p.8.

erosion of their preference margin. The steeper the tariff cut on preference products, the more the erosion of preference.

As a result of MFN liberalization, current duty-free and quota-free special treatment will be eroded<sup>8</sup>. Some developing countries have underscored that their heavy dependence on unilateral preferential schemes poses serious challenges for their development prospects, in particular in connection with the diversification of their exports and strengthening their competitiveness.

The ACP Group (Africa, Caribbean and the Pacific) has presented a proposal on market access, which include a formula in which the developing countries will have to cut their tariffs by lower rates than in the formula of the US or G20. Also, countries with ceiling binding do not have to cut their tariffs according to the tiered formula. And some proposal are made to moderate the tariff cuts on products that are receiving preferences, so that the loss of preference margin will not be so great. The ACP countries have proposed to mitigate preference erosion through an appropriate tariff reduction formula, taking advantage of the provisions of sensitive products and delaying the implementation of tariff reduction. It is worth noting however that other developing countries believe that long-standing preference and preference erosion should not frustrate development endeavors through MFN tariff liberalization.<sup>9</sup>

### **The Issues on Export Subsidies**

Because only a very small number of developing countries are entitled to use export subsidies, they have few defensive interests on this issue. The Hong Kong declaration provides that developing country Members will continue to benefit from the provisions of Article 9.4 of the AoA for five years after the end-date for

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<sup>8</sup> This issue is quite sensitive for LDCs and African, Caribbean and Pacific countries for products such as bananas, sugar, beef, fisheries and textiles.

<sup>9</sup> South Centre, *Loc.Cit.*, p. 5.



elimination of all forms of subsidies.<sup>10</sup> The disciplines on export competition measures, including export credits and food aid, could have negative implications for meeting humanitarian and development needs. Such disciplines will provide for differential treatment in favour of the least developed and net food importing countries.

The Hong Kong Declaration agreed on elimination of export subsidies on agriculture by the end of 2013, and there is also a stipulation for front-loading, meaning that most reduction to take place at the start of implementation. The bulk of the developed countries export subsidies should be eliminated right at the end of the first year of the implementation period of the outcome of the negotiations. Developing countries' underlying concern on the negative impacts of export subsidies, by the developed countries, is to achieve less distorted competition in domestic and export markets. In this sense developing countries have called for an end to export subsidies and measures with equivalent effects, provided by developed countries.

The WTO must above all aim to eliminate, or at least minimize, trade barriers and measures that result in trade distortion. Agricultural subsidization and protectionism in developed countries, especially the subsidization of exports, clearly and unequivocally fall into the category of barriers and measures that must be eliminated. All the evidence points to the fact that radical reform of the agricultural policies and practices of the US, EU and Japan will provide a very significant boost to global trade in general and to agricultural exporting developing countries.<sup>11</sup> The eradication of agricultural export subsidies will also bring to an end a practice that has contributed very considerably to

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<sup>10</sup> Alan Matthews, *Shallow versus deep Special and Differential Treatment (SDT) and the issue of differentiation in the WTO among groups of developing countries*, WTO rules for agriculture compatible with development, Food and Agriculture Organization of the United Nations, Rome, 2007, p.95.

<sup>11</sup> Jean-Pierre Lehmann, "Deconstructing the Doha Development Agenda", in *The world Trade Brief*, September 2003, United Kingdom, Agenda Publishing, p. 34.

underdevelopment by ruthlessly undermining prices and other incentives to develop and modernize in the domestic food markets of many developing countries.

### **Special and Differential Treatment (SDT) for developing countries**

The WTO legal system recognizes the need for differentiating commitments undertaken by developing and developed countries. Conceptually, the rationale for SDT is the asymmetry in economic power that results in unequal gains from the trading system. Technical assistance provisions were limited to best endeavor clauses and flexibility of rules was limited to longer implementation periods. Hence these provisions have been ineffective in terms of enhancing the capacity of developing countries to appropriate development gains from liberalization.

Article 15 of the Agreement on Agriculture covers special and differential treatment for developing countries. There are many references to such treatment throughout the agreement, including the Preamble, which notes that developed countries “would take fully into account” the particular needs and conditions of developing countries in the implementation of market access commitment and also recalls that SDT such as longer implementation periods had been an integral element of the Uruguay Round negotiations. In addition, apart from market access, many of the provisions on SDT are of little use to developing countries, given their inability to provide subsidies (10 per cent *de minimis* rule for market supports, and for input subsidies (exempted from the Amber Box calculation).<sup>12</sup>

Paragraph 13 of Doha Declaration stated that SDT measures shall “be an integral part of all elements in the negotiations on agriculture” and these measures should be operationally effective

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<sup>12</sup> Merlinda D. Ingco, *Agriculture and the WTO, Creating a Trading System for Development*, A co-Publication of the World Bank and Oxford University Press, 2004, p. 35.

and enable developing countries to take account of their development needs, including food security and rural development".<sup>13</sup> The commitment "to fulfilling the development dimension of the Doha development Agenda, which places the interest of developing countries at the heart of the Doha Work Programme" was reiterated in the July 2004 Framework agreement.<sup>14</sup>

Most of developing countries have defensive interests in agriculture and their main priority has been to protect the interest of the small farmers whose livelihoods and incomes are at risk from having to compete with imports. Group of developing countries under the G33<sup>15</sup> has been fighting to establish two instrument that developing countries can use – "special products" or SP (products linked to food security, livelihood security and rural development which they argue should not be subject to tariff reduction or should be subject to only small reductions) and "special safeguard mechanism" or SSM (through which tariffs on agricultural products can be temporarily raised above the bound rates when there is a rise in import volume or a fall in import price beyond a certain extent to be negotiated).

The G33 have made a firm stand that there can be an overall deal to conclude the Doha Work Programme if the provisions on SP and SSM adequately meet the countries' needs to protect and promote food security, farm livelihoods and rural development. The group has proposed that developing countries be allowed to self-designate 20% of agricultural tariff line as SPs. It has also proposed the price and volume "triggers" that would enable a developing country to make use of the SSM.<sup>16</sup>

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<sup>13</sup> WTO, (WT/MIN(01)/Dec/1, Doha Ministerial Declaration 20 November 2001.

<sup>14</sup> WTO, WT/L/579. Doha Work Programme, Decision adopted by the General Council on 1 August 2004.

<sup>15</sup> G33 Comprises 45 Developing and Least Developed Countries. Indonesia is the Coordinator of the Group.

<sup>16</sup> Martin Khor, *Loc.Cit.*, p. 8.

Developing countries should have the flexibility to designate an appropriate number of products as Special products. These products will be eligible for more flexible treatment. This guarantees that developing countries will have access to this flexibility in a revised agreement on agriculture and it clarifies that the basic criteria that should guide the designation of SPs will be food and livelihood security, and rural development needs. On the other hand, the texts establishes limits to the possible scope of SPs, for instance, by requiring that only an appropriate number of products can be so designated. How this number should be determined is left to further negotiation, as is the treatment of SPs. The choice of SPs would be self-designation by developing country members.<sup>17</sup>

### **Key Players in the Agriculture Negotiations**

The current negotiations are so difficult to conclude because, unlike earlier trade round which primarily involved developed countries and addressed their priorities, are now also addressing concerns of developing countries. This is because the global trade regime during the past twenty years has expanded to include developing countries. As developing countries join global trade negotiations, they bring their own offensive and defensive concerns. Offensively, they want to liberalize sectors in which they are competitive. Defensively, they often involve agricultural sectors that employ large shares of their population but are not competitive in global markets.

On the process of the DDA negotiations on agriculture, many developing countries have spoken up on how only a few members, Group of four countries or G4 (US, EU, Brazil and India) seem to be dominating the negotiations. The other WTO members were expected to wait for the G4 to reach agreement among themselves, and their role was seen to be confined to endorsing any deal reached by the four countries. The majority of the members are kept waiting for the four to make decision. The G4 recently organized an

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<sup>17</sup> Alan Matthews, *Op.Cit.*, p.93.

intensive Senior Officials meetings and Ministerial meetings in Paris, in order to achieve a breakthrough on agriculture.

The difference priorities of developed and developing countries cause the DDA negotiations are inevitable to conclude in the near future. The negotiation might even more complex and difficult than past negotiation of the Uruguay Round. In order to provide a basis for further multilateral negotiations in Geneva, Chairman of Committee on Agriculture of the Special Session (CoA-SS) circulated a new paper last April 2007, reflected movement since his draft "possible modalities on agriculture" were released in June 2006.

### **Conclusion**

Due to unrelenting pressure by the developed-country members of the WTO, led by the US and EU, the DDA negotiations have veered from their proclaimed direction oriented to a development-friendly outcome, toward a "market access" oriented direction in which developing countries are pressurized to open up their agricultural sector. A development-oriented outcome of the agricultural negotiations would have resulted in significant real reduction in domestic support and in tariffs in agriculture in developed countries, while enabling developing countries to protect and promote the interests of their small farmers.

The developed countries do not have a strong political commitment to reduce their total trade-distorting domestic subsidies beyond the actual levels or the already planned levels, and not committing to effectively discipline or limit Green Box subsidies and thus ensuring their continuation of high subsidization in agriculture.

To have a significant progress of the DDA negotiations, developed countries have to improve their offers on reducing their total trade-distorting subsidies to level that would significantly cut their actual or planned levels, including at the product level. There would be effective disciplines on the Green Box subsidies, including criteria on which farmers are eligible to receive them, and

limits placed on amounts receivable per farmer, while excluding corporations.

Developing countries should have enough flexibility in their market access obligations, including the use of flexibilities in the tariff reduction formula and in special products and special safeguard mechanism, which allow them to effectively safeguard food security, livelihood security and rural development.

