In a nutshell

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Caribbean Agriculture & the WTO Agreements

Inter American Institute for Co-operation on Agriculture

"In A Nutshell" is the first in a series of pamphlets for persons who need a quick reference guide to the major issues affecting CARIBBEAN AGRICUCTURE.

This issue of *"In a Nutshell"* focuses
on the 1994 GATT / WTO
Agriculture Agreement
&
other Agreements of the Uruguay Round
which are of relevance
to global agricultural trade

So.....

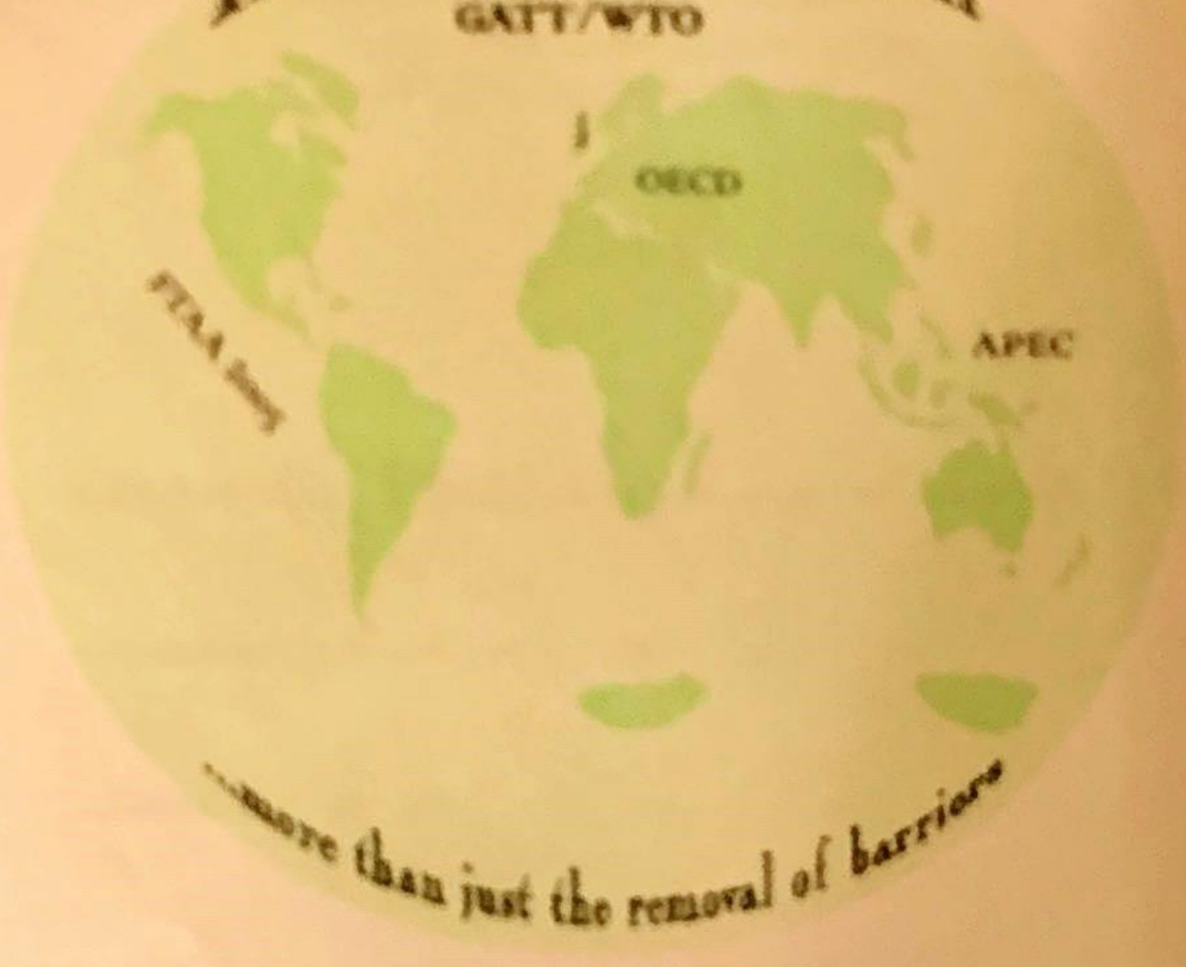
If you're an agricultural planner...

or an entrepreneur...

or a student...

...then read on.

Trade Liberalisation



...more than just the removal of barriers

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in a nutshell

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Trade liberalisation and the 1986-1994 Uruguay Round Some notes:

Problem:

Industrial countries subsidise their agricultural sectors by protecting them from competition and by subsidising exports, which have tended to lower international prices. In contrast, developing countries have tended to tax agriculture and subsidise domestic prices, which have discouraged production, encouraged consumption and increased import demand.

Goals:

(a) To ensure that agriculture remained firmly on the GATT agenda;

(b) To push for a large reduction in subsidies, particularly in the industrialised world.

Impact:

The overall trade in agriculture products will be significantly affected. In spite of its limited achievements, agricultural liberalization will inevitably have a negative impact on some developing countries. This impact may be small and slow to arrive, given their extended implementation period. Negative effects could be outweighed by modest policy reforms designed to improve agricultural efficiency.

Generally, agricultural trade liberalisation is expected to expand global trade and contribute to higher income growth. The challenge is to ensure that countries are choosing to implement their commitments in the spirit of the Agreement on Agriculture and that further commitments of liberalisation are carried out.

A Bird's Eye View of the Uruguay Round / WTO Agreement

While the Final Act contains 22 Agreements, those directly and indirectly affecting agricultural trade are the Agreements on:

1. **Agriculture**, which imposes binding commitments on *Domestic Support:*
   Export Subsidies.
   Market Access:
2. Sanitary & Phyto- Sanitary **(SPS)** measures.
3. **Safeguards**
4. Technical barriers to trade **(TBT).**
5. Subsidies and Countervailing **(SCM)** Measures;
6. Trade-Related Aspects of Intellectual Property Rights.
7. Special and differential **(S&D)** Treatment for the Least developed countries.

The **IMPLEMENTATION PERIOD** *for WTO Commitments is:*

6 Years for developed countries. - 1995 - 2000
10 Years for developing countries. - 1995 - 2004

LEAST DEVELOPED COUNTRIES **(LDCs)** ARE NOT REQUIRED TO UNDERTAKE REDUCTION COMMITMENTS

The Agreement on Agriculture

Here we summarise the three binding commitments of the Agriculture Agreement.

Market Access

EXCEPT *in cases of "Special Treatment"* **members** *are to:*

...Convert non-tariff barriers **(NTBs)** *into bound duties or equivalents, a process called tariffication.*

...Establish 1986-1988 as the base period called the "TRIGGER LEVEL" for determining tariff levels

...Reduce tariffs (including tarrif equivalents)
Developed countries by 15% & 36 %
Developing countries by 10% & 24%

...Refrain from introducing new NTBs.

...Establish special "QUACITY and "PRICE" triggered import safeguards for agricultural produce subject to tariffication **IF** *imports EXCEED a percentage of the trigger level, or import prices fall below the trigger price.*

A BINDING DEFINES THE MAXIMUM TARIFFS THAT CAN BE APPLIED ON IMPORTS

DEVELOPING COUNTRIES HAVE UP TO TEN YEARS TO FULLY TARIFFY.

MINIMUM ACCESS COMMITMENTS

EXPORTING COUNTRIES OBTAINED " MINIMUM ACCESS COMMITMENTS" IN PRODUCTS SUBJECT TO TARIFFICATION. FOR DEVELOPING COUNTRIES, MINIMUM ACCESS IS SET AT 2% OF THE TRIGGER CONSUMPTION LEVEL, RISING TO 4% IN 2004.

1995 → 2004

Export Competition...

·*Export subsides have been the major mechanism of protection in major exporting countries..*

·*Base period for determining export subsidies is 1986 - 1990.*

·*Countries are not to extend export subsidies to commodities which were not subsidised in the base period.*

EXISTING *Subsidies are allowed to continue subject to agreed REDUCTIONS:*

- In expenditure on export subsidies
  Developed Countries by 21%
  Developing Countries by 24%

- In the quantity of subsidied exports
  Developed Countries by 21%
  Developing Countries by 14%

Developing countries' reductions are spread over ten years.

Some Important Export subsidies falling under this commitment are:

- *Subsidised Stock.*
- *Transportation Subsidies.*
- *Export marketing cost subsidies.*
- *Payments in kind.*

Domestic Support:

Established new rules and bindings on the level of total domestic agricultural support called Aggregate Measures of Support (AMS).

AMS

AMS *measures the expenditure on domestic support and the value of market price support through administered prices provided by the policies covered under the Agreement.*

Because of higher world prices and recent domestic agricultural policy reforms in major countries. the new commitments may not involve any further real reductions in the current level of domestic support.

GOVERNMENT POLICIES may be either:

- *Trade Distorting* (AMBER:)
  Member countries all agree that they do have in place some internal support policies that tend to distort genuine trade (ie., amber policies)

OR

- *Non - Trade distorting* (GREEN.)

MEMBERS MUST REDUCE TRADE-DISTORTING AMS:

- *Developed countries by 20% over 6 years*
- *Developing countries by 13% over 10 years.*

AMBER POLICIES:

Those which are transfered from consumers or are linked to production of specific commodities. Such as:

- *Acreage Payments.*
- *Certain subsidized loan programs.*
- *Input subsidies. (seed, fertilizer, irrigation, etc.)*
- *Marketing* **loans.**
- *Payments based livestock numbers.*
- *Price support.*

GREEN POLICIES:

Those provided through taxpayer-funded government programs & which do not involve transfers from consumers or provide real support to producers, such as:

- *Crop insurance and income safety-net programs*
- *Domestic food aid.*
- *Environmental or conservation programs.*
- *General services (research, pest & disease control, training extension & advisory services, inspection, marketing & promotion, infrastructural services)*
- *Income support not linked to production.*
- *Public stock holding of commodities for food security reasons.*
- *Regional assistance programs.*
- *Relief from natural disasters*

SPECIAL SAFEGUARD MEASURES...

USED in cases where no specific provisions are made under the Agriculture Agreement.

- *General Balance of Payments Safeguards.*
  AGREEMENT ON MODALITIES

  ...Import restrictions are allowed when foreign exchange reserves are low.

- *Anti Dumping Duties.*
  AGREEMENT ON IMPLEMENTATION

  ...Can be instituted against specific imports IF they are sold below the "normal value" (domestic price of product). ArticleIV provides guidelines for determining criteria of a "dumped" product: determining injury caused by dumping: procedures for conducting dumping surveillance: and implementation and duration of anti-dumping measures.

- *Countervailing Duties.*
  AGREEMENT ON SUBSIDIES & COUNTERVAILING MEASURES

  ...Are allowed where imports benefit from foreign subsidy. Most government subsidies to which this measure could be applied are now protected under the WTO schedules.

- *Emergency Safeguards.*
  AGREEMENT ON SAFEGUARDS

  ...Can be applied if increased import quantities cause or threaten serious injury to domestic industry.

LOG IT!

Countries are obliged to inform the WTO on the status of all measures covered by the Multilateral Trade Agreements.

- Antidumping actions.
- Customs Valuation.
- Export restrictions, including voluntary export restraints and orderly marketing arrangements affecting imports, other quantitative restrictions.
- Export taxes.
- Foreign exchange controls on imports and exports.
- Free-trade zones, including in-bond manufacturing.
- Government-mandated counter-trade.
- Government Procurement.
- Import Licensing Schedules.
- Non-tarrif measures e.g. Licensing and mixing requirements; variable levies.
- Role of the State-trading enterprises.
- Rules of Origin.
- Safeguard Actions.
- Subsidies, tax exemptions and other government assistance.
- Tarrifs (including range and scope of bindings, GSP provisions, rates applied to members of free-trade areas/customs, unions, other preferences).
- Tarrif quotas and surcharges.
- Technical Barriers.

The challenge is to ensure that countries are choosing to implement their commitments in the spirit of the Agreement of Agriculture and that further commitments to liberalisation are carried out.

WTO & Caribbean Agriculture - Issues

ISSUES

International REPRESENTATION

The Ministries of Foreign Affairs, Trade, Agriculture and Tourism Development Organisations have an important and on-going role to play in maintaining market access and promoting Caribbean exports.

? Are these Government Departments structured to provide the required levels of assistance.

? Are they ACCURATELY focused on what will be critical issues for Caribbean agriculture in the new ENVIRONMENT.

Investing in AGRICULTURE

The WTO imposed rules which removed much of the risk associated with agricultural investment. But Caribbean Agriculture must now convince investors that it is an attractive and profitable investment option.

? Has each sector completed it's "GATT Analysis" to determine opportunities.

? Do we know our competitors.

? Is the sector ready to make the required investment in the market place.

? What strategic alliances are needed to extend our influence in markets.

Environment

The next GATT round will concentrate on the environment. PRESSURES on agriculture are likely to become more **INTENSE.**

? Have Governments developed a strategy for influencing the next (Green) Round of GATT.

? Are the market opportunities available to Caribbean countries as an "ECO- Friendly producing region" understood or exploited.

Research & DEVELOPMENT

INCREASING market share of Caribbean products will depend greatly on innovation and continued product development.

R&D will become more **crucial** *to our marketing programmes in this new climate.*

? Are enough resources being put into R&D.

? Are product development activities related to consumer needs.

Rural Community.
does it matter?

? Are the services available to the rural community adequate to realise the benefits of the GATT.

? How do sectors inform farmers about what is needed and how can they best get the information to them.

Food Safety

Caribbean countries should strive to provide consumers with the assurance that agri-food products are safe to eat & must build on a sound base of objective **scientific analysis** *and strictly enforced minimum* **STANDARDS.**

? Are we well equipped to deal with food safety issues.

? Is the level of public resources to this area enough.

? Is there an awareness of, and compliance to trading partner standards.

? Are the scientific analysis capabilities and minimum standards sound.

Quality

The Caribbean's long term **gains** *from the GATT opportunity may be increased* **premiums** *available for QUALITY*

? What quality systems need to be put in place from the on-farmonwards to realise these benefits?

? Do payment systems exist to properly reward market and quality signals?

This has been the first edition of

In a Nutshell,

Future editions will focus on:

- The SPS **Agreement.**
- The Dispute Settlement Procedures of the WTO.
- Agricultural Liberalisation and the Caribbean Banana Industry
- The concept of Competitiveness.

"In a Nutshell" is a publication of the Inter American Institute for Co-operation on Agriculture (IICA).

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