

AGREEMENT ON AGRICULTURE : NEGOTIATIONS PROCESSES, ISSUES AND POSITIONS

By

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1.0 INTRODUCTION

As Hong Kong Ministerial Conference nears regions and countries are:

- (i) strategizing and positioning themselves;
- (ii) discussing WTO terminologies which has become more specialized, technical and sometimes confusing, depicting groups or countries strategic interests and positioning;
- (iii) Terminologies assume traffic lights colours indicating the degree of acceptance within WTO guidelines;

2.0 TERMINOLOGIES AND EMERGING PROPOSALS

G20 – a group of countries with offensive interests to penetrate markets of industrialized countries, (eg. South Africa, India, Brazil,);

G33 – a group of countries with both offensive and defensive interests (eg. Zimbabwe, Kenya);

G90 encompass all developing countries (G20, G33 and others);
Industrialised countries or regions (eg. USA, EU, Japan)

The “amber box”



This “amber box” means slow down or be reduced; Contains all domestic support measures considered to directly distort production and trade flows;

Include measures to support prices or subsidies that are directly related to production quantities;

Emerging positions:-

- (i) Some groups have made commitments aimed at reducing these subsidies that distort production and trade; and setting the limit for specific products rather than continuing with the single overall “aggregate” limits;
- (ii) Others remain uncommitted, so have to keep within 5% of the value of production if they are developed; and 10% if developing countries.

The “green box”



The “green box” means permitted;

Contains subsidies that must not distort trade or at most cause minimal distortion;

These subsidies to be government-funded (not by charging consumers higher prices) and must not involve price support;

Subsidies are programmes-oriented, hence not directed at any particular products;

Examples are direct income supports for farmers that are not related to current production levels or prices, government financial support for income insurance and income safety-net programmes;

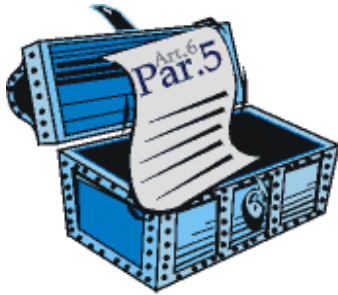
There is no limit to these subsidies provided they comply with the relevant criteria.

Emerging positions on this box:-

- (i) proposals seeking to set limits on all “boxes” combined, particularly this box;
- (ii) proposals to review the domestic subsidies listed in the “green box” which are deemed to have an influence on production or prices;
- (iii) proposals to defend the “green box” because it is already satisfactory; and

- (iv) proposals to remain flexible taking better account of non-trade concerns such as environmental protection, regional development initiatives and animal welfare.

The “blue box”



The “blue box” accommodates subsidies that fall somewhere between amber and green boxes; Covers payments directly linked to acreage or animal numbers, but under schemes which limit production by imposing production quotas or requiring farmers to set aside part of their land; Currently a permanent provision of the agreement and there are no limits on spending

on “blue box” subsidies;

Emerging positions:-

- (i) proposals to use these subsidies — and there are only a handful countries which are arguing that subsidies distort trade less than alternative “amber box” subsidies;
- (ii) proposals to maintain the status quo because they see it as a crucial means of moving away from distorting “amber box” subsidies without causing too much hardship to their constituencies;
- (iii) proposals to set limits or reduction commitments; and
- (iv) proposals to move this level of support into the “amber box”.

Decoupling and dirty decoupling

Broadly defined to replace agricultural support programmes which is based on current production and prices with direct payment that are based on clearly defined and fixed historical measures;

Emerging position

- (i) fear that decoupling becomes another subsidy programme;
- (ii) fear that decoupling influences farmers current and future production decisions and ultimate levels

3.0 GROUPS OR COUNTRIES ISSUES AND POSITIONS

The gap between industrialized economies and/or regions and their counterparts in the developing world is still wide as there are no signs of moving towards a pro-development agenda and less trade distorting and protection;

Countries or regions are jealously guard their proposals while carefully studying the terrain of the forthcoming Hong Kong Ministerial Conference;

US position and proposals:-

- (i) on the blue box, a cap of 2.5% of the total value of agricultural production, instead of the 5% as set in the July framework;
- (ii) proposal remain silent on additional disciplines on the new blue box, adopted in the July framework to accommodate US counter-cyclical payments;
- (iii) According to the background paper circulated at the Zurich Mini-Ministerial meeting, US insists that the new blue box is less trade distorting than the traditional blue box because, unlike the latter, they are payments made that do not require production;
- (iv) on the green box, US envisage no "material changes specifically on expenditure caps" while agreeing to review the green box to include "non-trade distorting development policies";
- (v) proposes a 'peace clause', that is protection against litigation for "subsidy programs that stay under the new limits or conform to 'green box' criteria;
- (vi) on the amber box, US has set the limit of US\$19.1 billion in addition to such programme as marketing loan benefits, milk and sugar price supports, counter-cyclical payments and crop insurance.

EU position and proposals:

- (i) reiterate to link concessions it gives in relation to agriculture to real market access and/or openings in developing countries;

- (ii) hence, is eager to make aggressive demands in the markets of developing countries it is interested in, without having to face the resistance of other developing countries;
- (iii) has remained silent on reviewing the green box subsidies which is trade distorting as stipulated in the July Framework;
- (iv) instead, is in the process of shifting increasing amounts of its domestic support to the green box;
- (v) Is ready to negotiate additional reductions in “amber box” support so long as the concepts of the blue and green boxes are maintained.

The G20 (plus other groups – G33 and G90) positions and proposals;

- (i) After the failed Ministerial talks in London and Geneva on 7-9 November 2005 G20 categorically stated that agriculture lies at the centre of the Doha Round and therefore remains the engine of the negotiations;
- (ii) Expressed fear to link up with other negotiating fronts such as the on-going EPAs negotiations leading to unbalanced expectations;
- (iii) Want firm commitment to special and differential treatment so as to preserve their food and livelihood security while addressing the rural development needs of their societies;
- (iv) Want “real cut” in all forms of trade distorting, domestic support and effective new disciplines;
- (v) Expressed fear that no “real cuts” perpetuates existing structural inequities coupled with limited or no market access of their commodities;
- (vi) Are concerned that advocating for pro-development round is falling on deaf ears given no reaction at all on some of the emerging positions from the developing nations;
- (vii) Want subsidies to be cut separately while market access issues are considered within the context of other trade-related issues such as non-trade barriers (NTBs) and tariff peaks;
- (viii) Want the review of the green box provisions to ensure that the direct payments conform to the fundamental requirement of no or least minimal trade-distorting effects on production;
- (ix) Want the sheer size of money paid out to developed country farmers that distort trade to be drastically cut as it allows effective cross-subsidization of production;

- a. through farmers' ability to cover their costs of production;
- b. through farmers ability to redistribute income with changes in market prices;
- c. through its ability to isolate the farmer from market signals;
- (x) Further argue that payments are not temporary but permanently incorporated into cash flows of farmers, thereby increasing their creditworthiness and serving as an instrument for hedging against risk;
- (xi) Argue that the practice of updating base acres, number of heads and payment yields, as well as changing eligible crops under Farmer Assistance Programs, tends to raise expectations of future assistance based on past government actions, reinforces the farmers' expectations, thereby influencing their future production decisions.

4.0 ISSUES FOR SADC COUNTRIES

SADC member-states are:

- (i) EPAs process and its effects;
- (ii) Fear to confuse the two processes;
- (iii) Fear to reintroduce past rejected proposals again;
- (iv) Fear to disregard the sensitivity of agriculture which is largely responsible for food security, livelihoods security and other socio-economic developmental needs;
- (v) Region under going high rate of de-agriculturalisation in addition to neo-liberal policies high rate of de-industrialization;
- (vi) Fear to continue to hide trade distortion and protection through the boxes, a development has serious implications to the future agricultural development;
- (vii) Challenges of dealing with supply-side constraints amid limited resources, a development that makes it impossible to subsidize its farmers;
- (viii) Fear to marginalized the poor constituencies such as farmers and HIV/AIDS among other sectors;
- (ix) Cry for lack of political will to:
 - a. inter alia redress issues of high tariff, tariff peaks and tariff escalation, non tariff barriers;

- b. simplify the rules of origin for all the products that are originally from the region that are destined for the developed markets duty or quota free;