Chapter 1

Agriculture Trade Negotiations after the 'July Package'
The Way Forward for South Asia

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1. Introduction

The Agriculture trade negotiation has evolved as a battle between the arithmetic and the legal oscillations that got converted into political exigencies. The information asymmetry in this is being used by multi-stakeholders processes to roughshod the smaller stakeholders' interests. This was rightly summed up on October 18, 2005 by the Brazilian Foreign Minister Celso Amorim that "… not a deadlock but a padlock" prevailed in matters of progress in the agriculture talk preparatory to the Hong Kong Ministerial. Trading blight is the current pathological infection that has caught the developed countries. That explains why they have suddenly become champions in protecting their farmers' interests but refuse to acknowledge smallholding farmers in developing countries. Indeed, this is strange even to allies for gaining political mileage under scores of camouflaged palliatives.

The question, therefore, arises as to what are South Asian countries bargaining for and what is the bargaining terrain? The common thread linking both these questions is the smallholding farmer dominated agriculture system that has issues of livelihood and development priorities staring before them rather than statistician driven 'formula racing' on the trade track. Thus, the vulnerability of these members is immense.

The cognitive delusion is displayed when developed country spokespersons aver 'WTO failures' mainly on account of the developing countries' stubbornness. It is generally said that the proof of the pudding is in the eating. The pudding was neither cooked in the 'July 2004 Package' nor could it be organised in the 'first approximation' of July 2005 end, nor at the October 2005-end meetings of the Trade Negotiations Committee (TNC) and the General Council (GC). And, therefore, apparitions are premature. However, it is important to remind us, given the history of trade negotiations, that the main task of getting various ingredients for the pudding (number crunching) has indeed been taxing.

The 'July Package' (JP) clinched after some gruelling day-night sessions is seen with much exuberance as historic and bringing back to rails of the Doha Ministerial Declaration. The contours mapped out by the G-20 and other developing country allies, in particular, have been very useful as well as crucial during the engagements between January and July 2005. That the alternative suggested by G-20 has gained credibility in recent past in the run up to the Hong Kong Ministerial in December 2005 is indicative of the significance attached by the developing countries to the concept of agriculture trade and liberalisation.

In these trade talks, processes as opposed to the final products/outcomes have become very important *à la* patent regime. Besides, the language of the text gives cannon fodder to the legal fraternity under the name of smallholder producers. In that sense, a range of initiatives had to be factored in the 'July Package'. If this was followed in word and spirit, it could be the first indicator, in a long time, of a genuine forward movement.

The major problem emanating from agriculture can be broadly put into three categories. These are arithmetic, legal oscillations and crafting of trade impeding non-tariff barriers (NTBs). Technicalities involved in estimating domestic support (subsidy) vs. market access sum up the bottom line of the arithmetic exercise in Geneva at the 'agriculture week' meetings. The movement towards different 'tiered formula' in July 2004 saw a 'formula racing' in 2005 that give primacy to statisticians in the market access as well as domestic support deliberations. Hence, it is not surprising to note that we had dark clouds surrounding the 'first approximation' towards how many tiers, which tariffs to go into which tier, what type of reduction formula to use the band width and the circumventing mechanism for box shifting.

As things stand today (November 2005), the grand alliance of G-20 and their submission on different pillars of agriculture negotiations appears to be the standard for further deliberations. The G-20 proposal is being supplemented with the G-33 proposal on special products (SPs) as well as special and differential treatment (S&DT). The final discordant note, however, comes from the two-three dominant trade partners, namely the European Union (EU), Japan and the US on various elements. For instance, the overall US domestic support will increase to US$23bn from US$21bn according to the recent (October 10, 2005 onwards) EU and US proposals.

The status of negotiations being very fluid, the agriculture talks are crucial indeed for the majority of the member nations where final positions are still being worked out. However, the G-20 and G-33 coalitions appear to be firm on a few non-negotiable elements, namely, some real cuts in applied levels of domestic support in dominant trade partners, band-based higher cuts in tariffs than those used in the Uruguay Round, and real time cuts and elimination of export competition elements within a fixed five-year period. Besides the ambitious goals on the three pillars, the aim is to address the structural inequities and therefore, significant movement on S&DT is being visualised. If Doha is to be a 'Development Round', it must address these issues in the agriculture sector in a transparent manner to attain balance and equity among the pillars as well as among differently endowed members.

In what follows, a brief survey of contemporary WTO agriculture trade talks backdrop in Section 2 is followed by a brief survey of relevant published work in Section 3 to situate the 'July Package' in the perspective of the South Asian agriculture landscape. The theme for section 4 is the South Asian agriculture landscape. The post-July 2005 developments have been surveyed in Section 5. The five-country specific discussion is followed in Section 6. Concluding observations are contained in Section 7. A number of fresh initiatives in terms of addressing the agriculture trade related development dimensions are contained in relevant places as box items.

2. Contemporary Backdrop

Although the Uruguay Round Agreement on Agriculture (AoA) for the first time brought the area of agriculture into the multilateral trade negotiation framework, recent disappointments have the attention of all the 148 members, being the stakeholders. The stakes are indeed high and have been a part of the preparatory work for the forthcoming Ministerial in Hong Kong. In fact, the AoA in its preamble reiterates that commitments under the reform programme for trade in agriculture should be made in an equitable way among all Members, having regard to non-trade concerns, including food security. The Doha Declaration in Para 12 while dealing with the implementation related issues and concerns identified four broad areas in the field of agriculture that have been of serious concern to a majority of the membership. However, Article 20 of the AoA has mandated negotiations for continuation of the reform process, including non-trade concerns.[1] Towards this end, paragraphs 13 and 14 of the Doha Ministerial Declarations are very instructive and bear repetition.

> "13. We recognize the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 members. We recall the long-term objective referred to in the Agreement to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. We reconfirm our commitment to this programme. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at: *substantial improvements in market access*; **reductions of**, with a view to phasing out, *all forms of export subsidies*; and *substantial reductions in trade-distorting domestic support*. We agree that **special and differential treatment for developing countries** *shall be an integral part of all elements of the negotiations and shall be embodied* in the schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development. We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.
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> 14. Modalities for the further commitments, including provisions for special and differential treatment, shall be established ***no later than 31 March 2003***.

1 Reference to AoA Article 20 would indicate the all-pervasive four sub-sections especially for determining required further commitments to achieve the long-term objectives.

> Participants shall submit their comprehensive draft Schedules based on these modalities no later than the date of the Fifth Session of the Ministerial Conference. The negotiations, including with respect to rules and disciplines and related legal texts, shall be concluded as part and at the date of conclusion of the negotiating agenda as a whole."

Consequently, the committee on Agriculture of WTO in a meeting on March 26, 2002 adopted a programme under Para 13 and 14 referred above covering the period from March 2002 to March 2003 to establish modalities for further commitments, including S&DT. This time frame matched the mandated schedule of the Fourth Ministerial. As per the agreed schedule between June 2002 and March 2003, seven meetings of the Special Session of the Committee on Agriculture were organised along with a number of inter-session and other informal consultations. The first draft of Modalities for further commitments was submitted on February 17, 2003. The revised Modalities to the first draft paper was submitted on March 18, 2003.

Pre-Cancun: Missed Deadlines

Thus, hangs the tale of missed deadlines and elusiveness to reach an understanding to carry forward the negotiations on some agreed modalities. While we are conscious of the fact that the tariffication process is indeed linked to the other two pillars of AoA, namely domestic support and export subsidy issues, future negotiations and 'imbalances' in the three pillars, however, need to be viewed from the perspective of agriculture landscape prevailing in the developing countries in general and the South Asian countries in particular. This has become imminent if trade liberalisation has to have any significance for member countries that have livelihood options of over two-thirds of their population at stake.

It may be recalled that negotiations involve dealing with hard issues, and many leftovers from earlier rounds – tariff peaks and escalation – that have protected particular interests at the expense of development. Most importantly, agricultural barriers that have protected powerful and relatively wealthy farm voices during the negotiations while poor farmers in the world are still expecting the promise of enhanced market access to their labour's output. Unfortunately, these are the issues of paramount significance that affect developing countries most profoundly. There is no doubt that a trade round that makes progress in these areas can improve the lives of the world's poor. However, we are aware following Dani Rodrik, the Professor of International Political Economy at Harvard University that trade liberalisation is not a reliable mechanism for generating self-sustaining growth and poverty reduction (United Nations Development Programme 2003). The search for alternatives leads to a strong ray of hope towards livelihood strategies. Agriculture and other primary allied activities come in for reckoning as the dominant economic activity. In that case, the welfare oriented state apparatus has her role cut out both in terms of policy space and support mechanism for priority attention.

2.2 Post-Cancun Developments

The post-Cancun gain in the trade talks has been the coalition of countries. The liberalisation process gained a new meaning under the coalition of interests. The coalition, therefore, has survived many attempts of split and disintegration and that is not surprising. (CUTS-CITEE 2004a)

It is here that we need to delineate a number of variants of agricultural fundamentalism. The enhanced domestic support based US farm basics, export subsidy and producer support based EU farm fundamentalism and the smallholder livelihood based farm landscape of the developing countries are in engagement with each other a bit more seriously since the 'July 2004 Framework' was devised as a mid way point.

For those following the agriculture trade talks in Geneva since the innovative and informal 'agriculture week' mode of discussion were initiated, the imminent was clearly visible in the report of the Chairman of the agriculture negotiations special session Ambassador Tim Groser to the TNC on June 30, 2004. Till then, the new framework elements proposed by G-20 on May 28, 2004 and discussed during June 2-4, 2004 'agriculture week' meeting was the rallying point for all developing countries. In fact, the G-20 proposal, as opposed to the joint EU-US proposal, was explicitly integrating the special concerns of the least developed country (LDC) members and the newly acceding member nations.

2.3 July Package

Notably, domestic support and export subsidies are a function of deep pockets that is available through the budgetary provisions. The extremely limited capacity of the developing countries to compete with the developed countries on the fiscal front is not under dispute. The developing countries including the LDCs are now going to be more vulnerable to the international financial institutions. The developed countries have indeed succeeded in safeguarding their interest in the 'July Package' by relegating the capacity building and implementation issues, prominently raised in the Doha Declaration, into a backburner in the 'July Package'.

The 'July Package' on the other hand shifted its focus from the three pillars of agriculture to the three entities, namely agriculture, non-agricultural market access (NAMA) and services. It also brought in trade facilitation by rejecting the other three elements of the 'Singapore issues'. The two significant gains for the developing countries in this package has been the *de minimis* to marginal and resource poor farmers along with a special safeguard mechanism for the developing countries. The best outcome would have been a cap on the 'green box' subsidy. However, a small step in the direction [Para 48, Annex A of July Package, (see Annex 2 for legal text)] is the recognition for transparency and monitoring of these subsidies and surveillance mechanism by amending Article 18 of the AoA. The other gain is for reducing the high level of trade-distorting subsidies, including a cap of five percent of average total value of agricultural production during an historical period. Here the caution sounded by many developing countries and explicitly raised by G-20 of box shifting and determination of historical timeline, etc. becomes important during further negotiations when actual numbers determine the arithmetic of agriculture.

2.4 G-20 Proposal and South Asian Agriculture

The farming community, ever since G-20's Delhi declaration in March 2005, hoped that the 'July 2004 Framework Paper' will be suitably dressed with the prevailing production landscape in the developing countries. The quest of smallholding farmers to become a competitive player in the world market place, therefore, is kept alive. Notably, the business savvy people do form an oligarchic conglomerate and have expertise in imperfect competition. On the other hand, WTO bases its homilies and prescriptions on perfect competition.

The major elements of original G-20 proposal are that the tariff peaks and highs of the developed countries, irrespective whether or not products are sensitive, are subjected to deeper cuts using the 'Swiss formula' (CUTS-CITEE 2004a). The product coverage is to be comprehensive, and duty free products are not to be counted towards the assessment of reduction commitments. There has to be a self-selecting procedure for special products for the developing countries and a legitimate S&DT would be an integral part of all market access commitment. Interests of the LDCs, recently acceded members and preference erosion were squarely addressed for the first time ever by this group. The neutrality of tariff structure and proportionality in tariff reduction was to be based on the principle of less than full reciprocity. It was boldly pointed out that the infamous 'give and take' principle is not in the best interest of the developing countries. For example, marginal gains in agriculture have been overshadowed by heavy losses in the non-agricultural and services issues. The EU position on this is now made clear as the Trade Commissioner, Peter Mandelson during October 17, 2005 meeting in Geneva said that results "in all areas" is expected or else "we will not have anything" (TWN 2005/18).

The arithmetic of 'July Package' on agriculture trade, therefore, should have been worked out to better serve the interests of the farmers forming the economic backbone of the developing countries. Subsidy vs. market access that summed up the bottom line of the post-Cancun rumblings in Geneva meetings continues to be active in the pathways to the Hong Kong Ministerial in December 2005. The non-trade concerns category created by the purebred trade lobby until the Doha Ministerial had to yield to incorporate cross cutting development disabling concerns in the 'July Package'. For illustration, the smallholder-dominated agricultural and farming system in most of the developing countries. How will these resource poor yet efficient producers access the market for better value addition to their products?

The smallholding producers (650 million in India alone) of agricultural produce are surely concerned about the extremely limited market access to their produce in the developed countries. These producers do not expect any changes in enhanced producer support and cannot launch any export subsidy programmes. But are coerced into opening their market already wide open by reducing their average tariff in the range 45-83 percent on the basis of the 'cocktail/blend' formula [graphical view in Annex 1] according to the joint EU-US framework (CUTS-CITEE 2004a, George 2004a). The recommended use of the 'Swiss formula' to drastically bring down the high tariffs in developing countries, especially on products crucial for food security and livelihood security is certainly not auspicious for a smooth run of the fair trade forum.

It is to the credit of G-20 and other coalitions, especially the African Group that underscored the point about futility of reciprocity. Perhaps they were able to quote from the Bible that prohibits 'an eye for an eye' doctrine and established fundamentals of the livelihood strategy by saying 'a poor man's field may produce abundant food, but injustice sweeps it away'.

The political processes in India have already given way to new architects to shape the agricultural architecture keeping the distinct landscape and expectations of the smallholding producers in sharper focus. The political location of these architects is determined by the sensitivity to the fundamentals of these ground truths. Arithmetic of agriculture and certainly the 'boxed-in' domestic support and market access details should be used as the yardstick to judge the outcome, notwithstanding cognitive hallucinations.

2.5 Pre-Hong Kong Developments in Agriculture Talk

The agriculture trade talks have seen some hectic activities in Geneva. A number of mini-ministerial meetings have been organised as well in the run up to the Hong Kong Ministerial. The new Chairman, Ambassador Falconer of the Special Session of the Committee on Agriculture once again revived a closed-door exclusionary negotiating process. The excluded majority merely managed to get an update at the invited 'weekly clinic' that was inaugurated on September 30, 2005. These clinics, therefore, are designed to share information and not actively participate in the negotiating process. Since then the negotiations have moved in fits and falls. The technical issue in terms of *ad valorem* equivalents (AVEs) has been a contested domain during the implementation period. June-July 2005 saw an amicable arrangement emerging. However, the main talk was still confined among a few and the FIPs, i.e. the five interested parties constituting Australia, Brazil, EU, India and US, emerged as the main players in the agriculture parleys. The group was extended to 14 during mid-July 2005 by inducting another nine countries. Notably, the General Council meeting was held during July 27-29, 2005 and Hong Kong Ministerial deadlines were getting real and closer.

The tariff reduction formula and the domestic support calculus formed two areas for concentrated inputs. The G-20 proposals by far appeared to be the most comprehensively articulated position on the table. This group has presented six new proposals on agriculture for consideration of the committee. The proposals pertain to the following:

- establishment of product-specific caps in the aggregate measurement of support (AMS);
- selection and treatment of sensitive products;
- export prohibitions and restrictions;
- exporting state trading enterprises of developing countries;
- proposal on consideration of tropical products; and
- improving monitoring and surveillance mechanism.

By the end of October 2005, written proposals have been put on the table by the following member countries and/or coalitions:

- African, Caribbean and Pacific (ACP) – October 21, 2005;
- EU proposal on market access – October 10 revision – October 26, 2005;
- G-10 proposal – October 2005;
- G-20-July 2005 and six comprehensive proposals and revision – October 12-21, 2005; and
- G-33 proposals on special products and SSMs, US proposal – October 10, 2005.

What do these proposals, statements and submissions say on the three pillars of AoA? A stocktaking under these three heads is done below.

2.5.1 Market Access

Market Access (MA) is the main pillar that got undivided attention by all the members, as it was a key pillar. MA impacts both consumers and producers of agricultural products, however, the issues are, tariffs, tariff quotas, tariff quota administration; special safeguards; importing state trading enterprises (STEs) and other miscellaneous issues. As examined above in one of the preceding sub-sections, MA is the most exhaustive section in the 'July Package' (See Annex 2 for detailed text). The issues under considerations in the MA template are following and different submissions have given varied treatment to these issues. A summary of issues at stake is provided in the following boxes before taking a critical look at different proposals.

Market Access (Para 27-46):
***"substantial improvement in market access" – Para 27*;**

- Para 28: Single approach for both developed and developing countries
  - Tariff reduction through tiered formula
  - Account for different tariff structures

- Para 29: Principle for guide formula:
  - Reduction from bound rates, substantial overall tariff reductions as final results of negotiations
  - Each member (LDC's exempt) will make contribution, operationally effective S&DT provisions for developing countries will be integral part of all elements
  - Progressivity through deeper cuts in higher tariffs
  - Flexibility (ies) for sensitive products

- Para 30: Number of bands, thresholds for defining bands, type of tariff reduction in each band, tariff caps in tiered formula with distinct treatment for sensitive products.

The G-20 proposal has emerged as the basis for discussions and ongoing negotiations. In fact, EU used the G-20 proposal as the platform to build her argument of 'pivot' to allow limited flexibility to make smaller tariff reductions within each tier. Both G-20 and EU's original proposals suggest five threshold tariff tiers for developed countries and four for developing countries. Later, towards the end of October 2005, these threshold tiers have been revised by G-20 to four and three respectively. The trade-off ostensibly was to lower the number of sensitive products by the EU. The EU was in agreement with G-20 for a tariff cap. The US proposal contains four tiers for tariff reductions and does not make any distinction between the developed and the developing country members. This, in fact, is violating Para 28 of JP framework. The US wants a cap on tariff at a lower level. The ACP coalition also suggested four threshold tiers of tariff for both developed and developing country members but did not agree to the cap. The G-10 group (comprising

Bulgaria, Chinese Taipei, Iceland, Israel, Japan, Korea, Liechtenstein, Mauritius, Norway and Switzerland) also agreed to use G-20 proposal of four tiers and is opposed to capping the tariff at any level. The treatment of sensitive products is a critical issue for EU and so is the case with G-20, G-33 and other coalition of member countries. The G-20 and G-33 proposal on sensitive and special products are presented in the Box below.

- **Sensitive Products Para 31 – 34 of JP**

Selection of a very limited standard number "N" of TL at x-HS digit level + credible and reasonable relatives to trade to each market.

- Treatment: Greater the deviation from tariff Reduction formula, greater the compensation through combinations of TRQ commitments and tariff reductions.
- Technical issues like measurement of deviations, compensation for every TL, TRQ expansion from what base, etc.

Para 35: reduction or elimination of in-quota tariff rates, operationally effective improvements in tariff quota administration

Para 36: Tariff escalation addressed through Formula

- Para 37 Tariff simplification under negotiation
- Para 38: SSG (Special agricultural safeguard)

Special Products:

- Para 39 of JP talks of special products to be integral to S&DT for Rural Development, Food security, Livelihood security
- Hence Special Product mentioned in Para 41 is **additional not restricted to TL**

- **Flexibility to (a) Designate (b) appropriate numbers of products**

The threshold bands and the number of bands are key to MA and must precede any discussion on formula selection that would determine flexibility and progressivity in tariffs. What do different proposals indicate about proportionality of reduction between the developed and developing country members? All available information on MA is summarised into one table and placed at Annex 3. A caveat, however, is required here to indicate that positions and basic tenor of the relationship are very fluid and are likely to change during the remaining period for the Hong Kong Ministerial in December. The composite view indicates some very interesting points for further analysis in the subsequent sections.

- There are four threshold bands in all submissions.
- The bandwidth and the linear cut percentages are different.
- The US submission does not distinguish any changes between the developing and developed country threshold bands. However, US suggested a cocktail formula for reduction, namely, higher bands use Swiss formula and middle bands use linear formula. The lower bands may use Uruguay Round formula.
- ACP, G-20, and US proposals suggest the first stage of threshold band for developed countries at $0 \leq 20$, whereas EU puts it at $0 \leq 30$. Similarly, the last threshold band for

high tariff is put at >90 percent by EU, >80 percent by ACP, >75 percent by G-20 and >60 percent by US.

- US has not specified any rate for tariff cuts for the developing countries, ACP avoids this for the developed countries.
- The developing countries threshold bands are similar in G-20 and EU proposals but different in ACP, G-10 and US proposals.
- The G-10 proposal for a linear cut with two options, especially with constrained flexibility is not in the best interest of the majority of the member countries' agriculture sector.
- G-10 also do not subscribe to the cap on tariff for agricultural products.
- The G-33 has recommended that any product that receives product-specific Amber Box support or Blue Box support as well as Export Subsidies in any other country should automatically be eligible for special product designation in the concerned developing country.
- G-33 reiterates that overall average reduction of tariffs by developing countries cannot exceed two-thirds of the average reduction undertaken by developed countries (G-33 has a membership of 44 countries as on October 11, 2005).
- G-20 and G-33 have rejected the US and EU proposals and have requested them to make further movements.
- The unified stand of G-20 and G-33 has been in terms of absolute essentials for MA:

  o Tariff reduction formula should be negotiated before addressing flexibility for developed countries;
  o Substantial reduction in domestic support and elimination of all forms of export subsidies by developed countries;
  o Safeguarding developing countries from dumping resulting from trade-distorting subsidies;
  o LDCs exempt from reduction commitments as well as must get duty and quota-free access to all products into developed countries.
  o The pointed suggestions by G-20 on tariff rate quotas (TRQs) expansion are to be linked with the tariff lines designated as sensitive. The expansion should be carried out to compensate for the deviation from the tariff reduction formula. The immediate background to this suggestion is the assumption of 'a very limited number of tariff lines' at a digit level to be negotiated but not more than one percent of dutiable tariff lines of each member's schedule; and
  o The greater the deviation from the tariff determined by the tariff reduction formula, greater is the TRQ expansion in the same tariff lines. It is the tariff line specificity that is underscored in the G-20 proposal and reiterated in G-33 submission.

2.5.2 Domestic Support

As examined above, the domestic support in three countries particularly, EU, Japan and US has been a major bone of contention for the distortions in agricultural products market prices. Here also the proposals made by G-20 have been used as the platform for pointed discussions over the last few months. The discussions have concentrated on three broad areas, namely, reduction of aggregate measurement of support, i.e., Amber Box support; reduction of overall trade distorting domestic support, i.e., amber box + blue box + *de minimis* supports; and the criteria for the new Blue Box along with disciplines for new and old Blue Box supports. In addition, a detailed review and clarification on the

Green Box criteria has been mandated in the July Framework. This has been carried out by G-20 and is on the table for negotiation. Not much, however, has been heard on these suggestions/submissions.

The major objective in this pillar is 'substantial reductions' as in Para 6 of JP Annex A. This requires to be carried out in the 'overall cuts' and the three constituent elements identified above must adjust in any case. It is essential to bring down levels of applied domestic support, currently holding lots of water.

G-20 originally suggested four bands (summarised below in the Box) and a tiered formula for AMS reduction. In their revised submission on October 12, 2005, G-20 recommends three tiers. The first band (in the original proposal of early July 2005) constitute countries with support of less than US$2bn, second with US$2-12bn support, third with US$12-25bn support and fourth band with more than US$25bn. The revised version talks about three bands: >US$25bn – cut by 80 percent; US$15-25bn – cut by 70 percent and US$0-15bn – cut by 70 percent. The rate of cut is expected to be higher for higher bands. The developing countries will cut less than two-thirds of the cut made by developed countries in the same band.

Bands	**4 Bands**		
Parameters	**Thresholds**	Cuts	
Thresholds Expressed in US$ based on annual average. Market exchange rate <u>*International Financial Statistics (IFS)*</u> of final year of implementation Capping of product specific AMS at there respective average levels. Cotton case outcome to be incorporated	4th Band:>US$25bn	W%	W>X> Y>Z to be agreed
	3rd Band:>12-25bnUS$	X%	
	2nd Band: 2-12bn US$	Y%	
	1st Band:£ 2bn US$	Z%	
	Developing members to cut less than 2/3rd of the cut to be undertaken by developed members in the same band. Difference between the cuts in contiguous bands should not be large.		
Basis: Absolute levels	Bound Total AMS levels of support higher than 40% relative to total annual value of agricultural production will be subjects to extra cuts, except in the case they are already in the highest band.		
Staging of commitments	Since commitments are at aggregate level, some frontloading will be required to handle the "water".		

The emergence of three tiers follows from consultations/discussions both formal and informal amongst different stakeholders in Geneva. For instance, Japan and EC agreed to there being three tiers. Notably, EU being the biggest user of such support – accounting for about 50 percent of total AMS – is way ahead of Japan with 20 percent and US with 10 percent of total AMS support. Therefore, the US has argued to be placed in a different category/tier for cuts than EU and Japan.

The *de minimis* support, another constituent of the overall domestic support, according to the submission made by G-20, reductions are to be made in both product-specific and non-product-specific categories of *de minimis*. The levels of cuts have to adjust to the rates of cuts for the overall trade-distorting support. However, developing countries without AMS entitlements will be exempt from making any overall reductions as they qualify from exemptions to their *de minimis* elements.

The idea for a new Blue Box as proposed by US is contingent upon robust criteria for discipline. For instance, G-20 criteria for direct payment not requiring production – addressing the counter-cyclical price payments and direct payments to limit production along with the notification requirements are crucial inputs for deliberations.

The overall trade-distorting support for the developed countries, according to G-20s revised proposal should be considered in three tiers. These tiers are: >US$60bn – cut by 80 percent; US$10-60bn – cut by 75 percent and US$0-10bn – cut by 70 percent. The developing countries must necessarily be in different and fundamentally separate bands for overall cuts as it would form part of S&DT as also differences in *de minimis* entitlements must be reckoned with in such calculations. There is another contingent issue that must be factored in to the domestic support deliberations. The outcome of the Cotton sub-committee is very crucial and domestic support criteria remain flawed in its absence.

2.5.3 Export Competition

The July framework identified five distinct areas for negotiations under the pillar 'Export Competition'. These areas are, export subsidy, export credit, guarantees and insurance, state trading enterprises, food aid and export restrictions along with taxes.

The main issue, however, remained the date and schedule for phasing out direct export subsidies as well as export credits and other forms of subsidies. A comprehensive proposal by G-20 demands direct subsidies to be eliminated over five years with 60 percent at the end of the first year, 20 percent at the end of the third year and the remaining 20 percent at the end of the fifth year. G-20 also argued for elimination of all other forms of subsidies as well as introduction of transparency and discipline in such support mechanisms.

The main deliberation was on the issue of food aid and state trading enterprises. The developing countries are concerned since new arrangements will severely impact humanitarian and welfare objectives of the nation state. The G-20 proposal suggests food aid in the form of grants only that too fully untied.

3. Review of South Asian Agriculture within July Package Framework

The 'July Package' within the South Asian agriculture has to be first viewed in terms of trade in agricultural products. Although the world trade report 2004 painted a prospective picture for 2005, it clearly identified that trade expansion is still hampered by barriers, which must be brought down. The report also underscored that Asia region recorded the highest volume of real merchandise export growth in 2004, at 14.5 percent. The main thrust has come from China, Republic of Korea, Singapore and Japan. That South Asian countries do not figure in the global scene is not surprising. The share of exports from developing countries remains less than half percent of world trade (WTO 2005c)

Agriculture trade scene in the region (CUTS-CITEE 2004b) indicates that Bangladesh, Nepal and Pakistan have had a negative trade balance during 1995-2000. The trade balance for the triennium ending 2003 for South Asia as a whole is negative and the main burden is shouldered by Bangladesh. In fact, such severity indicates the plight of net food importing developing countries (NFIDCs). We need to recall here that Bangladesh and Nepal are classified as LDCs and hence, have no reduction commitment.

The poor export of agricultural produce from South Asia needs to be further scrutinised in the context of the growing global trade volume. Will 'July Package', if successfully concluded, redeem the trade scenario and usher in a new development round? What are the impediments specifically being faced by the exporters from the region?

3.1 Market Access and Plus (+) Stipulations

Philip (2005) argues that it is the tariff walls in importing countries that denies 'fair access' to developing countries. In a comparative study of the prevailing non-*ad valorem* (NAV) duties between the South Asian countries and the Quad countries, he has shown that (a) US has the highest NAV duties imposed on their imports and (b) South Asian countries have a very low incidence of NAVs both in bound as well as applied categories.

George (2004) has pointed out the crucial role of NTBs as an additional instrument for crafting impediments. In addition, the balancing act of domestic support with the market access pillar has been identified to be of critical significance for the developing countries. The grave nature of tariff reduction formula is demonstrated in CUTS-CITEE (2004a) and its demystification is imminent for playing an informed game in the trade arena.

Hoda (2005) recommends a key spot to agriculture negotiation in the 'July Package' to bring back development focus in the Doha Round. He is of the opinion that much disciplining is required in the domestic support and export competition pillars and the G-

20 countries should not give up on this as a leverage mechanism. The suggested way forward is to be based on the S&DT in domestic support pillar for the developing countries. In fact, he has argued that when all farmers are eligible for input and investment subsidy, the proportion of subsidies to low-income or resource poor farmers must not be included in the computation of non-product-specific support. A proper and effective use of S&DT provision in all the three pillars has been recommended.

Pandey (2005) examined Nepal agriculture and pointed out that the incidence of food insecurity increased as a result of faulty safeguard measures. For instance, import surges experienced by Nepal during 1995-2003 has given it a major cause of worry. It is shown that during this period rice showed surge in one year, wheat during four years, pulses during three years and maize during two years. The recommended strategy for the sixth Ministerial *inter alia*, includes special safeguard, addressing preference erosions, developing alliances with LDCs and supporting other coalitions on a case-by-case basis.

3.2 Special Products and South Asian Agriculture

Taking up the cause of food security and livelihood security through special products, Malik (2005) has put forth a set of propositions towards a proper identification protocol with a special reference to Pakistan. The main thrust of the study is that developing countries must negotiate the criteria/indicators that will suit a particular situation and therefore, specificity of a country's agriculture landscape will form the core of the discussion. A word of caution however, has been rightly sounded for not ignoring the minor crops and specific regional farming communities at a sub-national level. This is a trap if the negotiators agree to use the macro level national data. Similar caution is applicable if a heavy reliance is placed on the trade data for they mislead more than giving any cue. The harmonised system (HS) code based selection criteria will have repercussion as the degrees of freedom appear to diminish if 6-digit or higher level of code is selected.

In tune, Pirzada (2005) infers that Pakistan needs to move cautiously particularly with lowering bound tariffs and removal/withdrawal of subsidies. In fact, a strong case is made for availing 10 percent *de minimis* by Pakistan. He laments that food and social security concerns are not adequately focused in the national policies addressed towards agriculture sector.

Rahman and Deb (2005) in a detailed analysis charted out three key options for Bangladesh within the 'July Framework'. Firstly, they advocated to participating proactively in the ongoing negotiations in agriculture and allying with countries having similar interests. Secondly, they find merit to operationalise a flexible import regime within the bound tariff rate structure. Thirdly, it is argued that rural development on a broad platform cannot be given up or lost sight of by utilising the 'green box' support to the fullest extent.

Gothami (2004) opines that there is an urgent need to increase support to agriculture in Sri Lanka, particularly to accelerate agricultural productivity gains and production growth. She argues that such support mechanisms will far outweigh any costs escalation estimation of distortions in the global agricultural markets as the benefit streams will mainly add to the higher living standards and ameliorate food insecurity currently prevalent in the country. It has been a strong case with Sri Lanka to work for S&DT as an integral element of AoA. The specific agriculture landscape in Sri Lanka has been shown to play an important role in environment and natural resources that provide livelihood sustenance to scores of her population.

It is well recognised that food security and development of economic base for improving the quality of lives are paramount to the South Asian countries. Agriculture is one such economic activity that is not restricted to a couple of crops or a limited number of livestock products. Sekhar (2004) has painstakingly demonstrated how international price volatility is transmitted to the domestic markets impinging on the food security concerns. The most vulnerable segments of the society have been identified as poor agricultural labourers and unorganised sector employees. He argues that exporters are not an exception as their cash-flow variability increases and reduces collateral value of inventories leading to increase in borrowing costs. In fact, Dorin and Jullien (2005) draw attention to gross inequities existing in micro-level food insecurity. They point out that the time to end subsidies has not yet come in India and the supply side reforms should focus on better management for livelihood security. They point out that an active involvement and participation of the concerned communities must be ensured for sustainable outcome.

The livelihood security concerns thankfully got embedded in the 'July Package' as one of the three primary S&DT concerns of the developing, least developed, net food importing and recently acceded countries. It also needs reiteration that the special products category also finds a place under the Market Access section of the Annex A to 'July Package'. It is seen as a concession to the inclusion of 'sensitive products' under the same section in Para 31-34. The details that require a separate treatment for 'special products' are contained in Para 39 and 41. Since Para 41is additional and separate, it is not to be restricted to tariff lines alone as in the case of 'sensitive products' in Para 31-34. The challenges in identification have been attempted by G-33 and the South Asia region is well represented in this coalition. What are the proposals in this regard on the table in Geneva?

The concepts of livelihood and food security along with rural development, etc. are not new in the trade talks. South Asian region members have often been articulating some fundamental principles of food security anchored to agriculture. Since agriculture in South Asia is a way of life and provides the only means to sustainable livelihoods and employment, it has indeed become fundamental and essential to human development for over 72 percent of their population (George 2005). In terms of share of expenditure on food items in the total, the region has consistently demonstrated that it is over 60 percent.

Mehta (2005) has argued that agriculture, particularly in India and South Asia in general, is a dynamic issue in time and space. He has painstakingly shown that there are at least 35 crops in India on which five million or more population is dependent. Since divergent economies of scale and level of investments exist, high subsidies distort the prices and import surges heavily impact farm incomes. The experience since 1995 has made him recommend a much greater flexibility for 'special product' and 'special safeguard mechanism (SSM)'.

The G-33 proposal in this reference to SP and SSM is most commendable. In fact, the current discussion on the issue is centred on G-33 proposals (TWN 2005/15). The indicators have been organised under four groups, namely, food security, livelihood security, rural development and a cross-cutting indicator constituting products receiving trade-distorting domestic subsidies and export subsidies by other countries. The proposal is clear in stating that there are different ways in which different developing countries identify these products.

Thus, the country specific food security traits have been broadly conceived of constituting two components. A certain proportion of domestic consumption is to be met out of the domestic production such that carbohydrates, fats and proteins separately and as components of a balanced diets are met. The livelihood security is defined as to provide adequate and sustainable access to resources or assets (social capital included) to households and individuals to realise a means of living. The paper further argues that certain products, e.g., grown in disadvantaged geographical regions, do contribute significantly to development by boosting economic activity (George 2005) and income of the country in totality and/or through non-farm activities.

Therefore, the case is for accounting the potential for value addition, marginal and small farmers' engagement as compared to the world average, etc. needs to consciously be factored into the product designation protocol. The equity and balancing considerations appear to be the main reason for the fourth and final set of indicators defined as cutting across the three criteria. All those products that receive product specific amber or blue box or export subsidies by other countries become automatically eligible for SPs in developing countries.

3.3 Special Safeguard Mechanism for Developing Countries

The special safeguard mechanism proposal submitted by G-33 (TWN 2005/2) provides details on the nature and operation of SSMs in cases of import surges and price depressions relating to agricultural products imports by developing countries. The proposal is organised under scope, transparency, remedy, conditions for application and duration.

The elements on the scope of members' rights indicate two important considerations. That 'members undertake not to have recourse, in respect of such measures, to the provisions of paragraphs 1(a) and 3 of Article XIX of GATT 1994 or paragraphs 2 of Article 8 of the Agreement on Safeguards'. Secondly, 'no developing country member shall take recourse to measures under Article 5 in respect of any product on which it has imposed additional duties pursuant to the provisions of this Article'. Understandably, a detailed homework has preceded this proposal and the member countries would take a while to comment and discuss finer details of the workings of the mechanism.

Noteworthy among the mechanism is the remedy to be applied by developing country members. Recourse to imposing additional duty with respect to 'any agricultural product' listed in Annex 1 of AoA is not exclusionary at all. The right to apply the remedy is triggered by volume of imports, or by the price of imports, 'but not concurrently'. The 'volume trigger' has been defined as a condition where the volume of imports entering a developing country member during any year exceeds a 'trigger level' *equal to the average annual volume of imports for the most recent three-year period* preceding the year of importation for which data are available.

The operative clause of price trigger becomes effective in a situation when the import price at which a shipment of imports of a product enters a developing country any year falls below a 'trigger price' equal to the *average monthly price for that product for the most recent three-year period* preceding the year of importation for which data are available. Thus, the two most likely scenarios have been accounted for. However, the quality and reliability of available data set will be the most worrisome aspect for the developing countries.

3.4 Development Dimensions and Agricultural Sector

The cross cutting issues of development as reviewed above makes it amply clear that the agriculture and allied sector activities will be paramount for the developing countries, no matter to which coalition group they belong. In this respect, the most common refrain seen in the literature is the 'supply side constraints'. The full import of development issues is available in the 'July Package' and that bears recall here for a quick recap.

> *"d. Development:*
> *Principles: development concerns form an integral part of the Doha Ministerial Declaration. The General Council rededicates and recommits Members to fulfilling the development dimension of the Doha Development Agenda, which places the needs and interests of developing and least-developed countries at the heart of the Doha Work Programme. The Council reiterates the important role that enhanced market access, balanced rules, and well targeted,* sustainably *financed technical assistance and capacity building programmes can play in the* economic development *of these countries.*
>
> *Special and Differential Treatment: the General Council reaffirms that provisions for special and differential (S&D) treatment are an integral part of the WTO Agreements. The Council recalls Ministers' decision in Doha to review all S&D treatment provisions with a view to strengthening them and making them more precise, effective and operational. The Council recognizes the progress that has been made so far. The Council instructs the Committee on Trade and Development in Special Session to expeditiously complete the review of all the outstanding Agreement-specific proposals and report to the General Council, with clear recommendations for a decision, by July 2005. The Council further instructs the Committee, within the parameters of the Doha mandate, to address all other outstanding work, including on the* cross-cutting issues, *the monitoring mechanism and the incorporation of S&D treatment into the architecture of WTO rules, as referred to in TN/CTD/7 and report, as appropriate, to the General Council.*
>
> *The Council also instructs all WTO bodies to which proposals in Category II have been referred to expeditiously complete the consideration of these proposals and report to the General Council, with clear recommendations for a decision, as soon as possible and no later than July 2005. In doing so these bodies will ensure*

that, as far as possible, their meetings do not overlap so as to enable full and effective participation of developing countries in these discussions.

<u>*Technical Assistance:*</u> *the General Council recognizes the progress that has been made since the Doha Ministerial Conference in expanding Trade-Related Technical Assistance (TRTA) to developing countries and low-income countries in transition. In furthering this effort the Council affirms that such countries, and in particular least-developed countries, should be provided with enhanced TRTA and capacity building, to increase their effective participation in the negotiations, to facilitate their implementation of WTO rules, and* <u>*to enable them to adjust and diversify their economies*</u>*. In this context the Council welcomes and further encourages the improved coordination with other agencies, including under the Integrated Framework for TRTA for the LDCs (IF) and the Joint Integrated Technical Assistance Programme (JITAP).*

<u>*Implementation:*</u> *concerning implementation-related issues, the General Council reaffirms the mandates Ministers gave in paragraph 12 of the Doha Ministerial Declaration and the Doha Decision on* <u>Implementation-Related Issues</u> *and Concerns, and renews Members' determination to find appropriate solutions to outstanding issues. The Council instructs the Trade Negotiations Committee, negotiating bodies and other WTO bodies concerned to redouble their efforts to find appropriate solutions as a priority. Without prejudice to the positions of Members, the Council requests the Director-General to continue with his consultative process on all outstanding implementation issues under paragraph 12(b) of the Doha Ministerial Declaration, including on issues related to the extension of the protection of geographical indications provided for in Article 23 of the TRIPS [Trade-Related Aspects of Intellectual Property Rights] Agreement to products other than wines and spirits, if need be by appointing Chairpersons of concerned WTO bodies as his Friends and/or by holding dedicated consultations. The Director-General shall report to the TNC and the General Council no later than May 2005. The Council shall review progress and take any appropriate action no later than July 2005.*

<u>*Other Development Issues:*</u> *in the ongoing market access negotiations, recognising the fundamental principles of the WTO and relevant provisions of GATT [General Agreement on Tariffs and Trade] 1994, special attention shall be given to the specific* <u>trade and development related needs and concerns of developing countries</u>*, including capacity constraints. These particular concerns of developing countries, including relating to food security, rural development, livelihood, preferences, commodities and net food imports, as well as prior unilateral liberalisation, should be taken into consideration, as appropriate, in the course of the agriculture and NAMA negotiations. The trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, should also be addressed, without creating a sub-category of Members, as part of a work programme, as mandated in paragraph 35 of the Doha Ministerial Declaration.*

<u>*Least-Developed Countries:*</u> *the General Council reaffirms the commitments made at Doha concerning least-developed countries and* <u>renews its determination</u> *to*

fulfill these commitments. Members will continue to take due account of the concerns of least-developed countries in the negotiations. The Council confirms that nothing in this Decision shall detract in any way from the special provisions agreed by Members in respect of these countries."

The general tenor coming out from the above text is a shift towards cooperative enabling mechanism to identify less trade-distorting instruments. Not only the deadline of July 2005 has been missed, the highlighted portions in the text above also indicate the extent of divergence as one moves towards the Hong Kong Ministerial. However, the 'best endeavour' message is clearly disturbing considering that the implementation-related issues identified during the Doha Development Ministerial largely remained in the backburner.

The NTBs in the agricultural sector, for instance, never got to be discussed in any of the meetings despite articulations about ensuring 'development return' (WTO 2005a). George (2005) enumerates a number of initiatives addressed at the 'supply side' by the international development finance institutions and the UN agencies. The development disability focus appears very prominently. For instance, the Food and Agriculture Organisation (FAO 2003) ironically argues that farmers in South Asian region are constrained by size of markets and price risks rather than livelihoods security concerns in the short to medium term. In the long run, however, price and non-price factors do attain significance. The Greater Mekong Development Forum of the Asian Development Bank (ADB) provides yet another instance to showcase the disability enhancing development prescriptions. The three criteria embedded in the 'July Package', namely, food security, livelihood security and rural development, are non-negotiable development priorities of the South Asian region, in particular, and the developing countries, in general.

The frequently recommended strategy falls in the domain of supply chain management and agribusiness models are profoundly vended for quick fix solutions. The South Asian region, in general, and India, in particular, is home to a number of innovative models of development strongly rooted in the ground realities. These initiatives have to be revitalised in terms of the trade dynamic. The instantaneous step in the direction is the need for added emphasis on the 'value-chain' as opposed to 'supply chain'. The S&DT proposals reviewed in the preceding paragraphs will be critically appraised for deriving forward strategic steps in the following sections.

4. South Asian Agriculture Landscape and AoA

South Asian agriculture landscape holds the key to the future of the trade negotiation especially for the region in the global apex trade body. The justification comes from concerns of livelihood security, food security and ensuring space to endogenous determination of development priorities. Having managed to get the SP and SSM concepts accepted in the 'July Package', many live illustrations have now to be documented and discussed to establish the primacy of agricultural activities amongst a host of other economic activities.

Agriculture is going to be the primary economic activity for a majority of the population in the region. The food has to be produced on a given piece of land. Trade issues come much later. The smallholding farmers abound in the region, which has been home to the policy space on food self-sufficiency for a long time. The countries in the region have progressively reduced tariffs and dismantled many restrictions. For instance, a view of the tabular information below gives the present situation about the tariff bindings in some select countries. The extremely low range of bindings as well as domestic production vulnerability of the tariff lines to international commodity price volatility has already been examined in the preceding section. The commodity price led disability, justifiably, has been a major rallying point for grand alliance gathered under the G-20 meeting in Delhi that resulted in the historic Delhi Declaration. A direct link has been established between low commodity prices and extreme poverty in commodity exporting developing countries (WTO 2005b)

Simple Average and Range of Uruguay Round Final Bound Rates for Select Countries

Country	Final Bound Average (%)	Range of Bindings (%)
USA*	9.5	0 – 822.9
Australia*	3.8	0 - 29
Brazil*	36.6	0 - 55
Korea*	63.8	0 – 887.4
India*	114.5 (90-91) 37.7 (05-06)	0 - 300
Pakistan	140	30 - 200
Sri Lanka	50	50
Bangla Desh	125	50 - 200
Nepal	41.5	0 - 200

**Source: CUTS-CITEE Research Report # 0417 based on data set at www.amad.org*

As the agriculture in the region is evolving to different stimulants from the market as well as the commitments made for WTO AoA, the livelihood security considerations have imposed newer challenges. The agriculture sector, therefore, cannot be left to the mercies of market driven stimulants for growth and sustenance. George (2005) points out that key to future strategy will necessarily be based on the skewed land distribution pattern in the region. The land-livestock-environment matrix is the key. The production landscape and the ownership pattern in the region cannot be tampered with anymore. Besides, the agro-climate production zone is home to a variety of biodiversity elements for the UN Convention of Biodiversity (UNCBD) to be of real interest and concern to the nations in the region. Therefore, the crop based view needs replacement with the matrix of food and livelihood security.

Women in seven villages of Himachal Pradesh get a taste of freedom, courtesy an organic preserves factory

Getting their bread and butter from jam

Wordsworth would have penned an ode to its nestled green hill with a heavy sprinkling of apple trees and flowers, it's inarguably the prettiest cottage industry you would have ever come across. Welcome to the factory of Bhuira Jams, a label known all over the country for its organic preserves.

Started by Linnet Mushran in 1992, this all woman affair has not only set a new benchmark of taste in preservative – free jams and marmalades, but also emancipated women in this sparsely populated sub-division of Sirmaur district in Himachal Pradesh.

Sarita Devi the Slim Production in charge of squeaky clean, aromatic workshop, adjusts here green apron as she tells you how the jam factory changed her life. A matriculate mother – to-be from Bagol Village, she was tired of her kitchen-bound existence when Linnet set her free 13 years ago. "My standing in the family went up several notches once I started bringing home a steady pay packet," she says, adding with a smile how she's also learnt a smattering of English. Thirteen years ago, she hadn't ever seen jam let along taste it, today she's a connoisseur. And so are 50 others who pitch in at the unit.

Commerce was far from the mind of the blue-eyed Linnet a Britisher married to a Kashmiri ICI Paints officer, when she bought this cottage in 1992. But the fruit trees that came along tempted her to try out her granny's jam recipes. It was friends finally who convinced her to market her out-of – the world jellies and marmalades.

Today, you can take your pick from over 40 tongue-tick-ling flavours-from apple jelly wild mint and bitter orange to peach chilli, here is God's plenty.

The jams are the bread and butter for women across seven villages. From young girls like Vandana Chauhan, an intermediate from Dhanoke village who manages the billing, to toothless grannies like Balmati, uncared for a home, they thrive on them.

Vimlesh Sharma, a teacher at Bhuria naganwadi school and post office agent, can vouch for the change. "Earlier these women didn't have a penny to there names, now they hold separate bank accounts. And no one refuse them a loan".

Home grown help

- It's case of factory coming to the doorstep of rural women who had no other job avenues. But the produce is sold all over India
- The unit has not only empowered women who can easily set up units of their own but also small fruit flowers who no longer have to depend on the middleman
- The jams are a right fit for the untouched Rajgarh sub division known as the peach belt of Himachal.

This is not all. They have also learnt read, write and above all, think for themselves. Take the case of the unlettered Ram Kali, the unofficial manager. Today she lives at the cottage without her family. " I have no husband, and no care in the world," she laughs.

A linnet put it: " I am spreading wealth not merely creating." Her annual wage bill of over Rs 5 lakh is a testimony to it. Marginal farmers with only a fruit tree or two too will agree, for now they download their produce here instead of trekking up to Rajgarh Mandi. Even young goatherds manage to make some money from the mountain berries they collect and sell to Linnet. "The

Contd...

blackberry jam we make is absolutely unique, thanks to these children," smiles Linnet.

Rajeshwar Goel, the young SDM of Rajhgarh who is proud of the fact that the preserves have made Bhuira a brand name, says the enterprise is tailor made for Himachal. "It is a non-polluting, labour-intensive cottage industry actually run form the cottage with raw material but with a wide market they extends to all metros of India." From Fab India and all major organic food stores to hotel chains like Maurya Sherton, Bhuria jams certainly go places. It also helps to have Aswin Mushran, the actor now on Great India comedy show and model, as a son through he's never really advertised mom's jams.

Linnet, who shuttles between Delhi and Bhuira, says her army of workers often fun the operations without her. With receives considerable fan mail-the scale of preparations is going up. Last week, for instance, they canned quintals of apples. Ask Linnet about her future plans, and she waves a hand at her jam women, "It is up to them". After all, the jams forgive the syrupy cliché, sweeten their lives.

Source: Sunday Express dated 11.09.2005

The new initiatives will *ipso facto* reconsider resources flow pattern (George 2005) in the agriculture sector within the constraints imposed by WTO's trade regime. The Indian case studies have demonstrated that domestic market access to the smallholding producers, both in the case of cereal products as well as perishable products like milk, ensures sustainability. In order to ensure a proper livelihood security, even fragmented case studies indicate the significance of horticultural products like fruits (See box items above and below).

A fresh look at empowering livelihoods

Conference to discuss concerns related to rural economy with focus on BPL group

New Delhi: A three day national consultation on empowering livelihoods will be held here in the capital from this coming Monday. It will discuss concerns related to rural economy and development with focus on over 300 hundred people living below the poverty line.

To be organised by the poorest areas Civil Society (PACS) programme, funded by the British government, 600 representatives from rural networks and civil society organisations are expected to take part in the consultation. The PACS programme is implemented in 108 poorest districts of six states including U.P., M.P., Bihar, Jharkhand, Chhattisgarh and Maharashtra.

- **The meet will be organised by the Poorest Areas Civil Society Programme, funded by the British Govt.**
- **600 representatives from rural networks and civil society organisations are expected to take part**

Under the programme, the state bank of India and NABARD have forged institutional partnership with the community-led networks in Faizabad, Chitrakoot and Gorakhpur. The scheme target to link 3000 self-help groups in U.P. with SBI by 2007 and the process has already begun with SBI having provided credit totalling Rs. 20 lakhs in 20 select districts.

Addressing a press conference here on Friday, Ashok Khosla, Chairperson of Development Alternatives, the Delhi based implementing institutions said the national consultation was an annual stocktaking event that brought together various community groups and non-governmental organisations involved in the implementation of empowerment programmes under the scheme. It will critically examine across-section of initiatives that are emerging from the grassroots.

Source: The Hindu, dated 22.10.2005

The story line in the boxes above can be identified to rest on three elements. These three elements are land-based activities, with small scale production set-up and small groups with commitment to network themselves to access markets for their produce. The quality issues, it may be noticed, have been consciously kept in the foreground. A fuller import of such initiatives can be better comprehended with a brief look at the typical macro economic land distribution scene, for example, in India. Annex table A-1 through A-3 provides one such view. About 93 million operational holdings in India accounting for 80 percent of total numbers of holdings are in the marginal and small farm category with less than 2 hectares thereby giving an average of about 0.63 hectare. The same group owns 264.4 million heads of livestock (Table A-2) in various categories.

The livestock wealth has a variety where milk producing stock accounts for nearly 70 percent. In a typical case, the livelihoods security considerations in the household will entail a given cropping scheme and livestock husbandry decisions. The production decisions are not necessarily for the markets. Thus, the marketed surplus ratio may not be there in most cases and times since it is a gamble with nature. The economics of agriculture production, therefore, has to necessarily reckon with the diminishing returns principles. Therefore, the undue haste in trade driven prescription to productivity enhancement, market integration and convergence of services purely in a one-way street of supply chain is misplaced in the South Asian region to a majority of producers.

The smallholding producers in their production landscape are indeed efficient producers reaping an incredible 'internal economies of scale'. The lopsided policy environment has corrupted the external economies of scale primarily through the input market players and knowledge driven productivity gain factor limiting access to a segment that is anyways situated in the periphery of the land-livestock-environment matrix and enumerated in Annex tables A-1 through A-4. As an illustration, we can examine the case of Haryana state in India. This is a high-income growth state situated in the south and north-western side of the national capital, Delhi. The operational land area distribution along with that of livestock wealth holding pattern, therefore, may consider being more market–friendly than that of many other states. The smallholder category yet has majority stakes and different types of livestock wealth ownership. Has this made a difference in the marketed surplus ratio among different crops and livelihood security concerns?

Gothami (2004) indicates that in Sri Lanka about 70-90 percent small farmers are employed in the agriculture sector as the operated land sizes are predominantly in the marginal to small category. It will be a blatant violation of economic realities if the Sri Lanka agriculture sector, for instance, rice production system, is compared to the estate driven plantation crops to make case for policy changes in the supply chain elements. Since rice production system is geared entirely towards the domestic consumption and, therefore, food and livelihood security, domains of input and other services suppliers to the smallholder agriculture merits an S&DT box with sensitivity.

The case is even stronger for Nepal (Pandey 2005) and Bangladesh (Rahman & Deb 2005) where about 90 percent operated land area is in the marginal and small category. Besides, the pluralistic nature of cropping patterns determined by the biodiversity sensitivities of the producing population cannot be steamrolled into becoming trade-friendly in the EU or US parameters.

The agriculture sector has become more complex in the case of Pakistan. The land holding pattern along with the social system of institutions, perhaps hold the key. With over 67 percent population living in rural areas of Pakistan, about 68 percent of the country's exports are reported to be agro-based (Malik 2005), and yet crop diversity among the farm owners is distinct between major and minor crops. This is indicative of the significance of productions system as well as the market access system even to the minor crops produce.

The modern system of market driven growth path has to reckon with a certain level of critical mass of production that is converted into the marketed surplus ratio. There would be regional and crop specific variations depending on the critical mass as also the attainment of food and livelihood security concerns. For instance, the marketed surplus ratio is an indication of the proportion of production that reaches the market yard. The export performance, therefore, of a country will necessarily depend on this market surplus ratio subject to the domestic requirement. The average annual growth of agricultural exports of twelve Asian developing countries (including India and Pakistan) by product group (WTO 2005c) indicates a dependence on cereals, including rice during 1995-2003, which is less than five percent growth during the same period. The importance of cropping pattern, therefore, cannot be overstated here. Besides, ensuring livelihood and food security, agricultural production cannot always be considered for exports in the South Asian context.

The role of public institutions, therefore, is very crucial. For example, the case of milk marketing in India having attained a level of maturity is now slated to be extended to the South Asian countries under the aegis of South Asian Association for Regional Cooperation (SAARC) initiative for a South Asian Milk Grid network. There is indeed a need to provide new inputs to these institutions and that can be and should be organised within the region. Given the level of maturity of the scientific manpower prevalent in agriculture, this is a feasible cost effective proposition.

4.1 Agriculture Trade in South Asia

The region has a marginal significance in the global export market while imports have some significant ramifications. However, considering that the region is a significant global producer of many primary agricultural products, the trade scenario attains importance for many reasons. The interests of producers and consumers obviously attain priority position. The export performance of the region has been credible during the pre-WTO period. The implementation period, 1995-2000 shows a sharp fall in the growth rates. The overall post-WTO period, i.e., 1995-2003, has witnessed an average growth of 1.82 percent in contrast to almost 8.00 percent during the pre-WTO period. CUTS-CITEE (2004b) and Philip (2005) show that developing countries in general have shown good performance of agricultural exports.

Does the other half of the trade story tell the same story in the region? Unfortunately not. The import side indicates a faster speed in comparison to exports. For instance, pre-WTO period 1990-95, recorded a growth of 11 percent in the imports to the South Asian region as whole. India and Pakistan could be given credit for this high import growth in the region, but not entirely as all the countries reported a growth rate of over five percent. The trade balance, therefore, will be adverse for the region. This is consequent to unanticipated and extraordinary decline in commodity prices. Consequently, exports declined and imports spiralled thereby adversely denting smallholder dominated farmer's income (CUTS-CITEE 2004b). The impacts on livelihood security in all counts have been disastrous. The experience is still fresh with the countries and the need for a strong and reliable safeguard mechanism must be appreciated against this backdrop.

Table 4.1.1: South Asian Countries Export Growth Rates

Period	India	Sri Lanka	Pakistan	Nepal	Bangladesh	South Asia
90-95	12.31	-2.15	0.62	-4.38	-3.31	7.96
95-00	-2.06	8.32	0.99	1.65	-6.03	-0.54
00-03	9.53	-16.12	4.89	17.37	1.28	5.88
95-03	2.13	-1.58	2.44	7.28	-3.35	1.82
90-03	6.05	3.77	1.05	3.72	-2.85	4.68

Source: Computed From FAO Trade Database

Table 4.1.2: South Asian Countries Imports Growth Rates

Period	India	Sri Lanka	Pakistan	Nepal	Bangladesh	South Asia
90-95	15.44	5.93	11.63	5.94	7.05	11.11
95-00	5.29	3.09	-5.85	8.54	9.32	2.38
00-03	19.45	2.35	-0.47	-14.02	2.74	8.75
95-03	10.39	2.81	-3.86	0.54	6.80	4.73
90-03	13.99	4.61	2.13	4.52	8.95	3.17

Source: Computed From FAO Trade Database

5. Three Pillars of Agricultural Trade and South Asian Agriculture

The South Asian agriculture in this new public institutional system definitely requires the trade orientation. The better mode will be to examine the three pillars against the review carried out in section 2 above.

5.1 Domestic Support

Smallholder farmers dominate the South Asian agriculture landscape. This necessarily implies that the domestic support mechanism prevailing in the region requires a re-examination in the current negotiations. While the first five years of AoA saw a box shifting from amber to blue to green, the developing countries got caught in a trap. In this milieu the point to be noted is the AMS calculation. What is ironic is that *de minimis* is to be based on the value of total agriculture production, while the monetary value in terms of product and non-product specific AMS, according to Annex 3.9, is based on the fixed external reference price. This is generally the average f.o.b. unit value for the basic agricultural product concerned in a net exporting country and the average c.i.f. unit value for the basic agricultural product concerned in a net importing country in the base period.

The trap for the region's agriculture sector is two fold. The selection of a base year for valuation will be the first element when the world prices may be depressed or otherwise as also the foreign exchange intricacies. Secondly, it is the product specific marketed surplus proportions in the total production that are to be considered. For economies in South Asia where LDCs and the Net Food-Importing Developing Countries (NFIDCs) abound with the exception of India, livelihood options dominate certainly with a negligible marketed surplus ratio. Therefore, indications are strongly in favour of a new protocol for price support mechanism that has subsistence farming and informal agriculture trade as the major strength. These arrangements have sustained the food security regime in times of crises as well as normal periods. Since subsistence farming is scattered amongst marginal and smallholding producers, conceiving of a calculation mechanism based on the developed country's landscape and specialised farming system has proved detrimental to the interests of the developing countries.

Against this backdrop, the G-20 proposal merits a dispassionate consideration. The principle is to bring in discipline as well as balance the boxes such that agriculture sector does not become a death trap to a majority of the member countries' population. The Doha mandate specifically mentioned that the reforms in all three pillars form an interconnected whole and must be approached in a *balanced* and *equitable* manner. Besides, S&DT has to be integral to all elements. Hence, the domestic support pillar must aim at 'substantial reductions in trade-distorting domestic support'. The proposal can be summarised in the following manner:

1. Value of Production: Production at farm gate shall be considered, value of production of products, which have been processed shall not be included as per Art. 1 (b) AoA. It is important to recall here the definition of "basic agricultural product" [Art. 1 (b) AoA] in relation to domestic support commitments as 'the product as close as practicable to the point of first sale as specified in a Member's Schedule and in the related supporting material'. The phrase *"point of first sale"* is the key and no discussion appears to examine this in the light of the subsistence farming system prevailing in the developing countries or newly acceded members schedule of commitment. Since these have been prepared under questionable processes and conditionality, there is a case indeed for re-examination.
2. Calculation of Overall base amount of trade-distorting domestic support base on:
A. Base Period: 1995-2000 for developed country members, in the case of developing countries a choice between 1995-2000 and 1995-2004.
B. Overall amount in each year of the base year
C. Total Overall base amount
D. Calculation of value of production for the calculation of the *de minimis* support
E. Blue Box discipline with transparency in order to fully sub-serve Article 6. 5 of AoA. For instance, it is proposed that instead of adding the percentage of production value for the Blue Box (BB), a member may add the amount of BB payment in every year of the base period, as notified, provided it is complied for all the years of the base period so selected.
F. Special and Differential Treatment: Developing country members with bound AMS levels at zero + LDCs need not calculate any overall base amount.

There are finer details that require discussion under the calculation of AMS as well as *de minimis*. For instance, the revised proposals of G-20 suggests that the members will have three bands for reducing final bound AMS based on the monetary value. The South Asian agriculture will come in the band US$0-15bn. The proportionate reduction commitment will be 60 percent provided *de minimis* exemption limits are crossed. Since the South Asian agriculture economy is subsistence and many of them will not have AMS reduction commitments, the *de minimis* reduction will also not apply. However, the anomaly in terms of diversified agriculture and specialised farming practices still exist. This is a potent leverage in the hands of international development funding agencies to dovetail a stricter conditionality for domestic reform agenda. The domestic reform agenda in that sense must seriously consider upholding the sovereign right to do so rather being dictated.

In the overall case the developing countries, given the status of development and infrastructure creation priorities, non-product specific support will have a larger share in relation to the product specific support. Besides, the marketed surplus ratio too will be very low in comparison to that of the developed countries. The major challenge therefore is to factor these realities into the formula. For illustration, it can be demonstrated that a better return to the farmer without any trade-distortions and visible rise in the marketed surplus ratio has been made possible with input support programmes by setting up a credible institutional mechanism.

The set of proposals put on the table by G-20 has elaborated on the Blue Box discipline as well as for the Green Box goes to make the domestic support measures more transparent. The examination in the preceding section can be safely recalled now to infer that a credible S&DT package according to the G-33 proposal will make the South Asian agriculture better equipped to play the market game. The undue advantage of domestic support measures enjoyed by the developed country members, therefore, must be removed. There is recognition (Wise 2004) of the fact that subsistence farmers gain little relief from competition with low-priced imports called dumping in the South Asian experience. In fact, Wise (2004) argues that reducing export dumping is crucially linked to drastically reducing subsidies in the developed countries. The price depressing impacts as well as development disabling ramifications of agricultural dumping by US has been empirically argued in Ritchie, Murphy et al (2003). In addition, Desai (2002) has empirically shown that domestic measures like technical change supported by the state is the only viable mechanism to give the smallholding producers their legitimate dues in the terms of trade.

5.2 Market Access

The market access pillar has been the main concern in which the leverage mechanism appears to have slipped into the hands of the dominant trade partners, namely the developed country members of WTO. A brief review of the offers on the table indicate that the G-20 proposal is very firm on the issue of regaining the balance between the pillars, as also the extent of reduction commitments. For instance, it has been shown that India was expected to make a deeper average cut in tariffs under the Derbez draft in comparison to the developed countries (CUTS-CITEE 2004a). The G-20 proposal envisages a linear cut and a cap at 150 percent for developing countries.

However, the developed countries have a tariff structure that is fundamentally different from the developing countries due to their subsistence farming system and hence structural adjustment processes appear to be absent in the proposals. The challenge, therefore, for Asian agriculture is to manoeuvre a way out within the existing framework and the G-20 proposal appears to provide one such window of opportunity. The summary of the issues under discussion at the special session on agriculture of the WTO provided in the 'July Package' has already been examined in Section 2 and the summary in a tabular format is given below. The formula racing, therefore, is crucial and a simulated scenario, which throws up many alternatives. The key is provided by the assumptions on two parameters, namely, the band and the coefficient. It is however very clear that the Swiss formula is to be used by the developed countries and that the threshold levels are not to be taken up or decided automatically. Similarly, in order to maintain the overall proportionality in the reduction commitment between the developed and developing members, two instruments like lower tariff reductions and higher thresholds of bands have been proposed. Overall the developing members will be expected to reduce less than two-thirds of the cut being undertaken by the developed members.

The G-20 proposal also makes a strong case for treating 'sensitive products' with reference to limitations to a fixed number of tariff lines at some to be agreed HS digit level as also accounting for the deviations from the reduction formula. But there is merit in considering HS 4-digit level for the developing countries as it is expected to provide more flexibility. There has been tremendous pressure on the developing countries in general and the

Formula Racing for Market Access G-20 Revised Elements [12 Oct'05]				
Elements	**Developed Country Members**		**Developing Country Members**	
Bands #	**5/4**		**4**	
Thresholds Average Cuts Developed 54% Developing 36%	**Thresholds (In AVEs)**	**Linear Cut (In AVEs)**	**Thresholds**	**Linear Cut**
	0=20	V=45%	0≤30	25%<v
	>20≤50	W=55%	>30≤80	30%<w
	>50≤75	X=65%	>80≤130	35%<x
	>75	Y=75%	>130	40%<y
	Where v<w<x<y<z			
High Tariffs & Caps	**Cap at 100%**		**Cap at 150%**	

South Asian countries in particular to reduce their most favoured nation (MFN) tariff rates. Given the unique structure of tariff lines and the flexibilities attained between the applied and bound rates, the expected level of tariff rate cuts based on the G-20's revised proposal can be computed. Additional two scenarios have been generated with respect to uniform linear cuts at 36 percent and 15 percent across the tariff lines. Since the G-20 and other developing countries have opposed application of Swiss formula, the same has not been used at all in the estimation. In Table 5.2.1 results of our estimation is presented.

Although Bangladesh and Nepal have no reduction commitments by virtue of being LDCs, the estimation shown in the Table above is only serving an academic interest of discussion. However, we must reckon that the tariff reduction in the average for the developing countries will be 36 percent and must be proportional to the reduction commitment by the developed countries. The average reduction at 36 percent is shown in column 4 of the table above. The cases of India and Pakistan in the region are important for many reasons. First, the capping at 150 percent becomes applicable to India and this proposal of G-20 impacts 26 tariff lines. The structure of the tariff lines is such that about 80 percent fall in the MFN bound rate of more than 100. The Pakistan case is similar as well, but there is not capping that will be applied.

The average MFN applied tariff rates are very low in the South Asian countries. For instance, it is 37.7 percent in India during 2005-06 (came down from 114.5 percent in the earlier period), 140 percent in Pakistan, 50 percent in Sri Lanka, 125 percent in Bangladesh and 41.5 percent in Nepal. Nepal has a large number in the lowest tariff range. This average is made possible because the tariff lines have been structured in a fashion to handle the country specific requirements of food security and livelihood sustenance to the rural population.

Table 5.2.1: Expected Tariff (T_1) for India				
T_0	No. Tariff Lines	T_1 G20 revised (linear rates) proposal	Linear 36%	Linear 15%
0	11	0	0	0
10	10	7.5	6.4	8.5
15	01	11.25	9.6	12.75
17.5	1	13.12	11.2	14.87
25	14	18.75	16.0	21.25
30	2	22.5	19.2	25.5
35	12	24.5	22.4	29.75
40	13	28.0	25.6	34.00
45	7	31.5	28.8	38.25
55	25	38.5	35.2	46.80
60	1	42.0	38.4	51.00
75	1	52.5	48.0	63.75
80	1	56.0	51.2	68.00
85	10	55.25	54.4	72.30
100	313	65.0	64.0	85.00
150	223	82.5	96.0	127.50
300	26	165.0	192.0	255.00
Total TL 671				
Expected Tariff (T_1) for Pakistan				
30	5	22.5	19.2	25.5
100	666	65	64	85
150	13	82.5	96	127.5
200	1	110	128	170
Total 685				
Expected Tariff (T_1) for Bangladesh				
50	13	35	32	42.5
200	654	110	128	170
Total 667				
Expected Tariff (T_1) for Sri Lanka				
50	658	35	32	42.5
Total 658				

The strong and bold pleas for an effective mechanism to safeguard livelihood security put forward by G-33 and supported by G-20 therefore, have the intrinsic interests of the millions of producers in the region.

5.3 Export Competition

Here the aim is to get a commitment for a credible end date and it is a strong demand of G-20 that the export subsidy must end within five years. The NFIDC have a case in this pillar as food aid has often been used in a different manner over the implementation period. The food aid or any of the export competition elements could be effective mechanisms to legitimise dumping of agricultural commodities in the region. Therefore, the demand is to implement Para 3 of the Marrakesh agreement in word and spirit. The developed countries have to 'show how' rather than provide 'know-how'. The demand to operationalise the S&DT provisions (Para 23. 24 and 25) of the 'July Framework', therefore, is a case in point.

Such demands are true with respect to the other elements of export competition. The export credit, guarantees and insurance, state trading enterprises all have special significance in widening the gap between the developed and developing countries. The fair trade regime, therefore, has a long way to traverse and the journey is indeed arduous particularly for the South Asian economies.

As there is no evidence in the EU or the US proposals to suggest that export competition elements, especially subsidy and food aid components have made any headway to benefit the developing countries, it is important to recall that export subsidies are direct or indirect compensations granted by government to private commercial firms to encourage exports of domestic products. Such help in the export promotion activities have been shown to give undue advantage to exporters by giving them lower than normal costs for exported products. The Uruguay Round commitment demanded the users of such subsidies to reduce budgetary expenditures by 36 percent and the volume of subsidised exports by 21 percent. Notably these reductions were to be effected on a product-specific basis with 1986-90 as the base period. In the 148 member strong WTO body, only 25 members were found to be users of this subsidy and were committed to reduction regime of the Agreement. In 1999, EU with US$5bn and US with US$80mn in export subsidies dwarfed other forms of subsidy amount (Oxfam 2002).

The G-20 proposal of early July 2005 in this respect, therefore, must be situated. The proposal requires complete elimination of direct export subsidies within a 5-year period such that the end of the 1st year 60 percent reduction is effected, an additional 20 percent by the end of the 3rd year and the remaining 20 percent by the end of the 5th year. A strict discipline in equivalent measures is to be maintained in the commitment schedules by members. The proposal also argues for a safety clause so that export subsidies of any types that have been discontinued are not reintroduced.

The South Asian countries are particularly impacted by such subsidies as the livelihood security options get severely debilitated by dumping. Although the developing countries are also committed to reducing their export subsidy, the longer 10-year implementation period and lower reduction requirements have been strictly complied with based on the schedules of commitment. For instance, the apex Indian export agency, Agricultural Produce Export Development Authority (APEDA), identified certain measures that nations could take to promote exports from the region based on Para 23 of Annex A to the 'July Framework'. The identified measures include, transport assistance, infrastructure for common use by small and medium producers, quality building and assurance measures, credit guarantee and insurance to exporters at better terms and availing all S&DT provisions.

The importance of a state agency to handle export business in the developing countries cannot be overemphasised. This is imminent since handling, storage, transportation, processing, upgrading and export promotion are specialised activities. The Indian lesson of the recent past (2001) with outsourcing these activities to an international giant, Cargill, must be recalled (Jafri 2005) in order to be wiser in the future. The G-20 proposal to give special considerations for maintaining monopoly status to STEs therefore, merits consideration in the region.

However, the issue of food aid has serious ramifications for the region. While US taciturnity on disciplining food aid is dictated by the business interests of domestic forms, the targeting of STEs in other member countries is a blatant political exigency. The concerns that the region must be alive to are rooted on the supply of humanitarian assistance. The old dictum, 'trade follows aid' has been suitably modified to mean 'trade for aid'. The G-20 proposal to provide food aid in the form of grants only in the form of completely untied element is therefore worth pursuing.

The commodity aid has important development significance and the region has had first hand experience of such an approach. The 'white revolution' in India has its foundation in one such approach. The SAARC concept of milk-grid in the region is, however, an ambition to extend it beyond the country into the region.

In the final analysis, therefore, it appears fully logical for the G-20 spokespersons to have differed at October 19 meeting with the revised proposals of the EU and US. The domestic support reduction commitments by these two giants have nothing to bite for the developing countries and therefore, market access dreams of these giants must be exposed.

6. Concluding Observations

The battle lines in agriculture trade talk are clearly demarcated between the arithmetic and legal complexities where political exigencies and maturity would determine whether or not smallholding producer interests are given primacy over atonement for having looked straight into the eyes of the developed country conglomerates.

The major problem emanating in agriculture can be broadly put into three categories. These are arithmetic, legal oscillations and crafting of trade impeding NTBs. Subsidy vs. market access perhaps summed up the bottom line of the early arithmetic exercise in Geneva at the 'agriculture week' meetings. The movement towards different 'tiered formula' in July 2004 saw a 'formula racing' in 2005 that give primacy to statisticians in the market access deliberations. Hence, it is not surprising to note that we had dark clouds surrounding the 'first approximation' towards how many tiers, which tariffs go into which tier and what type of reduction formula to use. Thankfully the 'first approximation' did not take place at all. Subsequently, issues like 'pivot' and 'parallelism', i.e., *quid pro quo* in NAMA and services for any forward movement in agriculture finally has a put a 'padlock' on the agriculture trade talk. Hopefully, this is a temporary phase and serious domestic support and market access issues should emerge from the EU and US.

We can delineate at least three variants of agricultural fundamentalism in WTO. The enhanced domestic support based US farm basics, export subsidy and producer support based EU farm fundamentalism and the smallholder livelihood based farm landscape of the developing countries are in serious engagement with each other particularly since March 2005 Delhi Declaration by G-20 grand alliance.

The farming community, ever since Delhi declaration, hoped that the 'July 2004 Framework Paper' will be suitably dressed with the prevailing production landscape in the developing countries. The quest of smallholding farmers to become a competitive player in the world market place, therefore, is kept alive. Notably, the business savvy people do form an oligarchic conglomerate and have expertise in imperfect competition. On the other hand, WTO bases its homilies and prescriptions on perfect competition.

The roadblocks started once the 'framework paper' got under serious discussion since following the dictum, 'the devil is in the details' is easy. EU and US, particularly, have gone ballistic in order to protect the interests of those involved in the food business.

This is different from protecting farmer's interests, as there are only, about 3-5 percent in EU and 2.7 percent in US, of total population that is engaged in farming activities.

Contrast this with about 65 percent in India, over 90 percent in Nepal and many other LDCs that derive their livelihood from agriculture and allied activities.

So, the three basic pillars of agreement on agriculture, namely, domestic support, export competition and market access assume seminal importance to all member countries in a multilateral trade platform. The statistician turned agriculture experts have given a complex twist to the simplified framework proposal of G-20 suggesting re-examination of trade distorting influences. Therefore, fervent plea for discipline in green and blue box subsidies in EU and US as well as curb proclivities to shift boxes like a magician.

Expectation of the millions of farmers in the developing countries is to gain better market access in the developed countries. The tirade of 'formula tiers' is an effective blockade in the hands of developed countries. In the same blocking game plan conversion into *ad valorem* equivalents (AVEs) of specific duties (incorporating quality) is being skilfully used by the oligarchic conglomerate driven agriculture discussion.

The infamous 'give and take' principle is not in the interest of the developing countries. It is fruitful to remind some biblical lessons to the developed countries. The need to underscore futility of full reciprocity between unequal trading partners perhaps is aptly quoted in the Bible that prohibits 'an eye for an eye' doctrine. The gospel of Matthew chapter 5 verse 39 instead suggests turning the other cheek too when slapped on the first. The Proverb chapter 13 verse 23 fully recognised the fundamentals of the livelihood strategy by saying 'a poor man's field may produce abundant food, but injustice sweeps it away'.

The domestic support and export subsidies are a function of deep fiscal pockets that are available through the treasuries/budgetary provisions to the developed countries. To quote from the Tim Groser's 2004 report to TNC: *'developing country treasuries cannot begin to compete on this playing field given competing development expenditure priorities and huge pressure on their budgets'*. This luxury is not available to the Indian states particularly since the coming into force of the fiscal responsibility management bill and acceptance of the twelfth finance commission recommendations.

The agriculture discussions have undoubtedly oscillated more towards law and trade jurisprudence rather improving livelihood option based on agriculture activities, although we have G-8 commitments towards making the millennium development goals (MDGs) succeed. Similarly, the ascendancy of food safety measures since 1995 is not only subversive to the multilateral principles of trade, the seditious strategy and manner of projecting only the consumers' interest, is shifting undue burden of compliance onto the producers of primary agriculture products. The common lesson, particularly for the South Asian countries in agriculture, is the Food Safety Regulations. Here, it is important to bear in mind an important lesson, namely, not to marginalise and devalue the wisdom of smallholder farmers and small sector food processing units, both widely and rationally distributed across the country.

The social construct of reality, however, is dependent on the agricultural landscape. The political location, however, is determined by sensitivity to this fundamental landscape. The South Asian state must not allow it to be drastically blunted, no matter what the exigencies, fiscal prudence, and arithmetic ease or regulatory simplicities might be. Market access pillar of the agreement on agriculture, undoubtedly, is holding the key to agriculture fundamentalism in the multilateral trading system. The chorus for domestic reform is going to be heightened and the agribusiness conglomerates will gain power in setting such reform agenda. The writing on the wall is there and hence the need to take the bull by the horn and not go in for soft palliatives and atonements.

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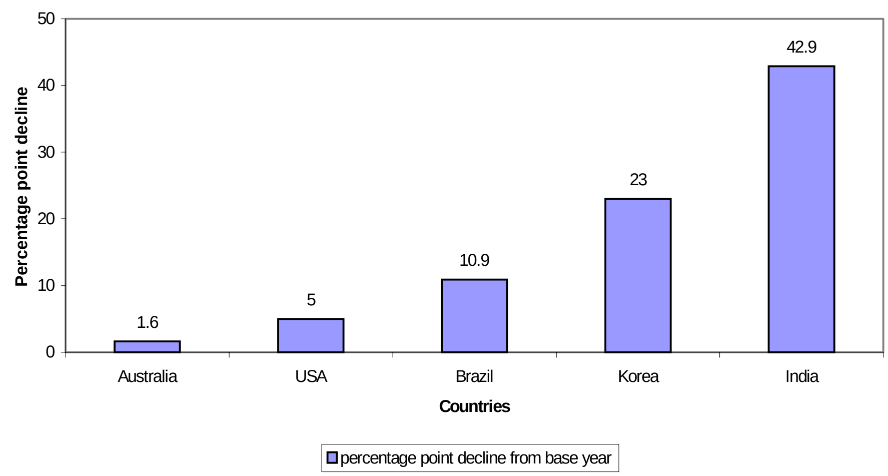
Annex 1

Fig.II.1: Percentage point Decline in average Agriculture Bound Rates (from base year) in post Doha Ministerial Negotiations



Impact on US Peak Tariffs as per Different Formulae (percent)		
Present range of US bindings		0-822
Use of Harbinson's multi slab linear reduction formula would result in	Range	*0-452*
	Average reduction in peak	*328*
Top 10 percent of tariffs by linear reduction and rest by Swiss	Range	0-534
	Average reduction in peak	411
Top 10 percent of tariffs by Swiss with B=15	Peak Tariff	15
Top 10 percent of tariffs by Swiss with B=45	Peak Tariff	42
Source: CUTS-CITEE (2004a)		

Annex 2

Formula Racing for Market Access G-20 Revised Elements [12 Oct'05]				
Elements	**Developed Country Members**		**Developing Country Members**	
Bands #	**5/4**		**4**	
Thresholds Average Cuts Developed 54% Developing 36%	**Thresholds (In AVEs)**	**Linear Cut (In AVEs)**	**Thresholds**	**Linear Cut**
	0≤20	V=45%	0=30	25%<v
	>20≤50	W=55%	>30≤80	30%<w
	>50≤75	X=65%	>80≤130	35%<x
	>75	Y=75%	>130	40%<y
	Where v<w<x<y<z			
High Tariffs & Caps	**Cap at 100%**		**Cap at 150%**	

Formula racing for Market Access US Revised Elements [10 Oct'05]				
Elements	**Developed Country Members**		**Developing Country Members**	
Bands #	**4**		**4**	
Thresholds Identical threshold for Tariff Bands, limiting sensitive products for relatively low tariff Cuts to 1% of dutiable TLs.	**Thresholds (In AVEs)**	**Linear Cut (In AVEs)**	**Thresholds**	**Linear Cut**
	0=20	V=55-65%	0=20	<V
	>20≤40	W=65-75%	>20≤40	<W
	>40≤60	X=75-85%	>40≤60	<X
	>60	Y=85-90%	>60	<Y
	Where v<w<x<y<z			
High Tariffs & Caps	**Cap at 75%**		**Cap at 75%**	

Formula Racing for Market Access EU Revised Elements [28 Oct'05]				
Elements	**Developed Country Members**		**Developing Country Members**	
Bands #	**4**		**4**	
Thresholds A range is given in the lowest band provided average cut in the band is respected, and to avoid significantly higher number of sensitive products.	**Thresholds (In AVEs)**	**Linear Cut (In AVEs)**	**Thresholds**	**Linear Cut**
	0=30	V=35% (20-45%)	0=30	< V = 25% (10-40%)
	>30≤60	W=45%	>30≤80	< W = 30%
	>60≤90	X=50%	>80≤130	< X = 35%
	>90	Y=60%	>130	< Y = 40%
	Where v<w<x<y<z			
High Tariffs & Caps	**Cap at 100%**		**Cap at 150%**	

Formula Racing for Market Access ACP Elements [21 October 2005]						
Elements	**Developed Country Members**			**Developing Country Members**		
Bands #	**4**			**4**		
Thresholds (Developing Countries with tariff Ceilings +homogeneous low bindings – only overall average reduction, exempt from cuts in highest tariffs)	**Thresholds (In AVEs)**	**Linear Cut**		**Thresholds**	**Linear Cut**	
					G20	ACP
	0=20	V%	?	0=50	< V	15%
	>20=50	W%	?	>50=100	< W	20%
	>50=80	X%	?	>100=150	< X	25%
		Y%	?	>150	< Y	
	>80	Z%	?			30%
	Where v<w<x<y<z					
High Tariffs & Caps	**No Caps**			**No Caps**		

Formula Racing for Market Access G 10 Proposal Elements [10 October 05]					
Elements	**Developed Country Members**			**Developing Country Members**	
Bands #	**4**			**4**	
Less than 15 % of TLs as sensitive products under option 1. Under option 2 this would be less than 10 % of TLs. Option 2 is linear cuts with constrained flexibility	**Thresholds (In AVEs)**	**Linear Cut Options** 1	& 2	**Thresholds (In AVEs)**	**Linear Cut**
	0≤20	V = 45%	50 ±10%	0≤30	
	>20≤50	W= 37%	42 ±9 %	>30≤70	
	>50≤70	X=31%	36 ±8 %	>70≤100	
	>70	Y=27 %	32 ±7 %	>100	
	Where v<w<x<y<z				
High Tariffs & Caps	**No Caps**			**No Caps**	

Table A-1: Distribution of Operational Holdings (Number and Area) All India and Haryana State

Holding Category	Number of Operational Holdings (million Hectares)		Area Operated (million Hectares)		Average Size (Hectare) of Operational Holdings	
	1995-96 India	1995-96 Haryana	1995-96 India	1995-96 Haryana	1995-96 India	1995-96 Haryana
Marginal (>1 Hect)	71.2 [61.6%]	0.815 [47.2%]	28.1 [17.2%]	0.404 [11.0%]	0.40	0.50
Small (1-2 Hect)	21.6 [18.7%]	0.338 [19.5%]	30.7 [18.8%]	0.473 [12.9%]	1.42	1.40
Semi-medium (2-4 Hect)	14.2 [12.3%]	0.328 [19.0]	38.9 [23.8%]	0.916 [24.9%]	2.73	2.79
Medium (4-10 Hect)	7.1 [6.1%]	0.207 [12.0%]	41.4 [25.3%]	1.222 [33.2%]	5.84	5.92
Large (10 Hect. & above)	1.4 [1.2%]	0.040 [2.3%]	24.2 [14.8%]	0.661 [18.0%]	17.21	16.42
All Holdings	115.6 [100%]	1.728 [100%]	163.4 [100%]	3.676 [100%]	1.41	2.13

Source: Author's computation: Data from Agricultural Census Division, Ministry of Agriculture, New Delhi.

Table A-2: Percent Distribution of Livestock by Operational Holdings (All India)

Land Holding Category	Cattle	Buffalo	Sheep	Goat	Others*	Total (million)
Marginal (≤1 Hectare)	46.30	20.49	8.54	22.40	2.27	100.00 (161.56)
Small (1-2 Hectare)	49.98	20.90	8.46	18.28	2.38	100.00 (102.85)
Semi-medium (2-4 Hectare)	50.73	23.40	8.02	16.05	1.80	100.00 (88.48)
Medium (4-10 Hectare)	50.43	24.83	8.70	14.43	1.61	100.00 (64.44)
Large (10 Hectare & above)	44.80	22.88	11.92	18.11	2.29	100.00 (20.98)
All Holdings	48.61	21.92	8.60	18.77	2.10	100.00 (438.36)

*Note: * Others include Horses+Ponies+Mules+Donkeys+Asses+Pigs+Camels*

Table A-3: HRY Bovine Stock and Land holding 1997

Land Holding	Cattle		Buffalo		Cattle F/M Ratio	Buffalo F/M Ratio	Total Bovine	Total B-TLS % (Million)
	Male	Female	Males	Females				
Marginal (Less than 1.0)	0.892	0.855	0.203	0.570	0.958	2.805	2.520 (34.9)	2.672 (37.0%)
Small (1.0 –2.0)	0.661	0.539	0.124	0.378	0.816	3.057	1.703 (23.6)	1.697 (23.5%)
Semi Medium (2.0 –4.0)	0.565	0.483	0.119	0.364	0.855	3.060	1.532 (21.2)	1.444 (20.0%)
Medium (4.0 –10.0)	0.406	0.353	0.089	0.285	0.868	3.211	1.133 (15.7)	1.062 (14.7%)
Large (10.0 & above)	0.110	0.110	0.026	0.086	1.000	3.364	0.332 (4.6)	0.347 (04.8%)
All Classes	**0.967 (13.39)**	**1.438 (19.84)**	**1.063 (14.72)**	**3.754 (52.05)**	**0.889**	**3.004**	**7.222 (100)**	**7.222 (100.0%)**

Table A-4: Marketed Surplus Ratio (MSR) Based on Cost of Cultivation Data of Selected Crops and States

Crop Category	Crops	State	Marketed Surplus Ratio Range during 1999-2001
Cereals	Paddy	Andhra Pradesh Assam Haryana Maharashtra West Bengal	72.6 – 80.3 27.6 – 46.1 86.5 – 96.7 45.5 – 57.9 46.1 – 61.5
	Wheat	Bihar Haryana Himachal Uttar Pradesh	62.1 – 72.0 73.7 – 80.0 17.9 – 47.1 42.2 – 74.4
	Maize	Andhra Pradesh Karnataka Bihar Himachal Rajasthan	88.5 – 100 95.7 – 99.0 40.8 – 55.0 31.7 –41.4 37.5 – 42.3
	Sorghum	Andhra Pradesh Maharashtra	26.3 – 71.5 51.8 – 65.6
	Bajra	Gujarat Haryana Rajasthan Uttar Pradesh	63.4 – 81.5 71.5 – 91.1 37.5 – 40.6 72.6 – 90.2
Pulses	Arhar	Karnataka Madhya Pradesh Uttar Pradesh	72.7 – 84.6 55.5 – 58.5 37.1 – 79.3
	Gram	Bihar Madhya Pradesh Uttar Pradesh	46.5 – 76.4 73.8 – 87.4 44.2 – 74.7
	Moong	Andhra Pradesh Maharashtra Orissa	0.0 – 89.2 78.9 – 91.4 47.3 – 57.8
Oilseeds	Ground Nut	Andhra Pradesh Maharashtra	44.3 – 83.5 53.4 – 84.7
	Soyabean	Madhya Pradesh Maharashtra	89.9 – 94.2 100 - 100
	Sesamum	Gujarat Orissa	97.8 – 98.8 70.8 – 79.5
Fibres	Cotton	Madhya Pradesh	83.6 – 99.3
Vegetables	Potato	West Bengal	44.2 – 91.2