

# The Implications of Dumping of Agricultural Products in Asia: Asian Farmers' Untold Misery

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## ***Introduction***

The push for tariff reduction worldwide along with the pressure to eliminate production subsidies, which has been largely commanded by the World Trade Organization (WTO), has brought serious repercussions to the dominantly agrarian Asian economies. Across these countries, there have been unprecedented declines in agricultural tariffs and other non-tariff barriers as well as production support as a result of their commitments to the WTO Agreement on Agriculture (AoA). Compounding the trend are the agreements being introduced either bilaterally or through the regional trade blocs, which are meant to ensure and fast-track the trade liberalisation that has been time and again derailed in the WTO negotiations.

The AoA has become one of the most contentious agreements because of its fundamental flaws of subjecting subsistence agriculture to trade liberalisation and increasing the role of the corporation. Its impact on the livelihood and survival of the small Asian farmers has been most illustrative of the basic arguments against further agricultural trade reform. But apart from these key issues, the AoA and other trade agreements in agriculture that tend to complement the AoA have also institutionalised dumping – the unbridled and unprecedented influx of cheap agricultural products in Asia and elsewhere, which has hastened the erosion of the agrarian economies and their capacity for future industrialisation.

## ***WTO Injustice: How Dumping is Institutionalised***

Dumping is the practice of a firm, wherein the firm exports at a price that is lower than the price of a similar product in the exporting country. The difference between the export price and the domestic price (the price in the exporting country) is called the dumping margin. It is also considered

dumping when the export price is a lot lower than the combined cost of production, marketing expenses and a reasonable profit.<sup>1</sup>

Dumping is an unfair trade practice because the firm undercuts its competitors. It is explicitly prohibited in the WTO. But how exactly a firm manages to lower its export price without losing its profit margin is one of the most interesting arguments *against* the WTO. It appears that dumping prospers mainly through institutional support, which interestingly has been provided by the WTO.

The AoA has all the elements that institutionalise and strengthen the practice of dumping. The three main categories of commitments in the AoA, namely (1) market access, (2) domestic support and (3) export competition, which are purported to remove distortions to trade have only permitted developed countries to do the reverse – increase their domestic subsidies, retain their export subsidies, and cushion their producers from imports surges and price fluctuations.

The AoA binds all WTO member countries to reduce their tariff levels, abolish quantitative restrictions, convert non-tariff barriers into tariffs, reduce domestic support, and reduce export subsidies. The developing countries are subjected to the same rules in agricultural trade liberalisation as the developed countries, the only concession being slightly lower reduction rates and slightly longer time schedules. Least developed countries (LDCs), on the other hand, are not required to reduce tariffs or subsidies but just the same are not allowed to raise them.<sup>2</sup> In short, *all* WTO member countries should go by a programme of progressive liberalisation that is supposedly designed to 'level the playing field' and bring about healthy competition in agricultural trade.

But the AoA is inherently imbalanced, the main form of injustice being in the area of domestic support. There are three categories of domestic support measures that fall under what the WTO calls "boxes":

1. Amber Box – input subsidies and price support – these are viewed to be trade-distorting and have repercussions on production
2. Green Box – support for research, rural development and public stockholding and marketing – these are assumed to have no effects on production

3. Blue Box – direct payments to farmers to compensate them for programmes that limit their production

Subsidies in the Amber Box are subject to reduction discipline. A certain limit of subsidies may be exempted – 5% of the total value of agricultural production for developed countries and 10% for developing countries. But subsidies above such levels have to be reduced – 20% from their 1986-88 levels in a period of six years for developed countries and 13% over 10 years for developing countries.

Subsidies in the Green Box and the Blue Box, on the other hand, are viewed as minimally trade-distorting and connected to production-limiting scheme therefore not subject to reduction.

There are two reasons that make the area of domestic support unfair. One, to begin with, poor countries had already used minimal subsidies in the past or had been asked by the International Monetary Fund (IMF) to reduce subsidies as part of the IMF structural adjustment programme (SAPs) of liberalisation. Their percentages of reduction, therefore, were already two-thirds of their existing subsidies; some even had zero-level subsidies, when the WTO-AoA came into force. On the contrary, percentages of reduction for rich countries, which have always used subsidies heavily to support their agricultural production, represented only a small portion of their existing subsidies.

As a result, while poor countries are now prohibited from using or increasing domestic support beyond the *de minimis* level of 10% of total agricultural value, rich countries have retained up to 80% of their subsidies even after the six-year implementation period.

Two, the U.S. and the E.U., by putting in several subsidies in the Green Box and the Blue Box, have succeeded in excluding from reduction several types of subsidies such as U.S. direct payments and E.U. compensation payments, along with a long list of other non-actionable subsidy programme. As a result, the total domestic subsidies in the rich countries are now even much higher compared to their 1986-88 base level.<sup>3</sup>

For instance, the E.U. 1986-88 subsidy level was USD83 billion and increased to USD95 billion in 1996. For the U.S., the base period subsidy level of USD50 billion increased to USD59 billion only in the first year of implementation. According to the OECD, the total subsidy and all its

equivalents rose from USD99.6 billion in 1995 to USD129.8 billion in 1998 in the E.U. and USD41.4 billion to USD46.9 in the same period coverage in the U.S. Another comprehensive calculation by the OECD, the Total Support Estimate (TSE) for 24 OECD countries, shows domestic support rising from USD275.6 billion for the base year to USD326 billion in 1999.<sup>4</sup>

Developing countries managed to gain minimal special and differential treatment (SDT) and exempt four items:

1. input subsidy given to poor farmers
2. subsidy for land improvement
3. diversion of land from production of illicit narcotic crops
4. provision of food subsidy to the poor

But these are minimal compared with the U.S. and E.U. exemptions, and hardly half a dozen of the poor countries use these subsidies.<sup>5</sup> In addition, the U.S. and E.U. subsidies are also exempted from "due restraint" action by the WTO under its dispute settlement process while those used by the poor countries are not immune from countervailing measures.

Developed countries have also retained 64% of their budget allocations for export subsidies and 79% of their export subsidy coverage. Developing countries meanwhile had not been using export subsidies for a long time, and if ever they had minimal exceptions, should now reduce and stop using such.<sup>6</sup>

With regard to market access, the AoA made little progress in reducing agricultural protection in the developed countries. To illustrate, in the first year of AoA implementation, tariff rates for rich countries were so high – 244% for sugar in the U.S.; 213% for beef in the E.U; 353% for wheat in Japan; and 360% for butter in Canada – that even if their rates were reduced by 36% on average to end-2000 would still be prohibitive.<sup>7</sup>

One area of inequity in market access is the 'special safeguard' provision, whereby countries that went through tariffication may protect their farmers when imports rise above or prices fall below specified levels. But only few developing countries undertook tariffication. Furthermore, the criteria for the use of 'special safeguard' are stringent if not unclear in the WTO, aside from the fact that the requirements are hard to demonstrate in household subsistence agriculture.

Still, when the developing country is the

exporter, the developed countries may take safeguard measures even if the exporting developing country has low import base or declining production. Although there is a *de minimis* provision that says no safeguard action will be taken against the exporter as long as its share to total imports of the product in the importing country does not exceed 3%, it is barely followed by the developed countries.

Another area of inequity in the market access is the 'minimum access opportunity', where countries, after tariff reduction in certain products have not provided substantial market access, are made to import modest amounts of these products. These high-tariff products are usually the abundantly produced and therefore most protected agricultural and food products of the developing countries.<sup>8</sup>

Apart from the inherent imbalances of the AoA, it has the basic flaw of assuming that agricultural production and trade in the developing world could be done commercially and that a "fair" trade agreement could arise from decades of colonial trade patterns between the developing and developed countries. The combination of these issues has led to unbridled and unprecedented dumping of agricultural products in poor countries and the consequent collapse of rural economies.

### ***The Subsidy War: Simply an Inter-Imperialist Dispute***

The AoA has a built-in mechanism that provides for a scheduled review and renegotiations towards *further* liberalisation despite protests over imbalances and implementation issues. This is why the controversy has not subsided even up to the time of the collapse of the so-called Development Round in 2006.

In Doha in 2001, the WTO, despite thorny issues, launched the Development Round that was supposed to start in the Ministerial Conference in Cancun in 2003 through an undemocratic process called 'Chairman's Understanding' as reaching 'consensus' and the formation of the Trade Negotiations Committee tasked to prepare all requisites for a new round in Cancun.

Cancun collapsed. In agriculture, the collapse was due to the rejection of the Harbinson Text and the joint U.S.-E.U. proposal that sparked debates on framework and modalities, summarised into the following:

1. Further tariff reduction
2. Inclusion of the remaining sensitive crops of the developing countries in liberalisation
3. Further increase in exempted domestic subsidies enjoyed by the developed countries
4. Continuation of export subsidies enjoyed by the developed countries
5. Reduction by 10% the list of products vital to food security, rural development, and livelihood security
6. Redefinition of SSG measures in order to include subsidies of developed countries<sup>9</sup>

The emergence of clear country groupings divided the lines in Cancun. G21, later called G20, led by India and Brazil and composed of countries active in agricultural trade such as China, premised further market access on the reduction of subsidies by the developed countries. G33, led by Indonesia, focused on the issue of dumping by proposing special products (SP) and special safeguard mechanism (SSM) provisions that would allow further tariff protection and safeguards for certain basic food and agricultural products.

The intensity of the debate was mainly brought about by increased dumping. Even before the time of Cancun, developing countries already experienced devastating changes: skyrocketing world commodity prices, depressed farmgate prices, massive farmers' bankruptcies, and rural unrest. These phenomena also prevented elite governments of the Third World from simply allowing further market access and dumping without clear concessions from the global powers.

But for the Ministerial Conference in Hong Kong in 2005, the Five Interested Parties (U.S., E.U., Brazil, India and Australia) pushed for the July Framework Agreement, summarised as follows:

1. The North still defending their high levels of subsidies (AoA)
2. Bringing down non-agricultural tariffs (NAMA)
3. Still pushing for the New Issues (Government Procurement, Competition Policy, Investments, Trade Facilitation)
4. Pushing to make offers for the liberalisation of services (GATS)<sup>10</sup>

In particular in agriculture, the July Framework proposed a new formula for further tariff reduction based on ad valorem and offered milder NAMA

and GATS as compromises for increased market access in agriculture. Rich countries also proposed to create a new restrictive category called Sensitive Products, focusing on tariff-rate quotas only, which poor countries do not use. Yet, the July Framework set aside talks on the demands of poor countries on SPs and SSMs.

Rich countries also skirted the issue of the "boxes", promising nothing on the target date for the phase-out of the Amber Box and still not putting in place an overall ceiling for the Green Box. Yet, they proposed to include in the Blue Box subsidies not necessarily limiting production, thereby merely shifting domestic support from the Amber to the Blue Box. The E.U. even offered to remove its export subsidies on the improbable condition that the U.S. removes its 'food aid', export credits and credit guarantees, and monopoly of state trading enterprises. The SDT for the poor countries and state trading by net food importing countries were not tackled at all.

Before Hong Kong, especially after the collapse of Cancun, trading and investment corporations were already growing impatient over the slow WTO process, given endless disputes and inconclusive talks. Yet, despite setbacks, the Doha Round had undoubtedly inched ahead, and Hong Kong was thus intended not exactly to close the Doha Deal but to set the stage for its completion.

The timetable was that by April 2006 formulas called modalities would have been incorporated into the countries' tariffs and products. The overall idea was to conclude the talks by the end of 2006 so that the Doha Round could be ratified in the U.S. legislature before the legislators' terms end in mid-2007.<sup>11</sup>

In agriculture, the idea was to cluster tariffs into bands (or ranges of tariffs) with corresponding reduction for each band, minimizing the chances of "hiding" low tariffs behind high tariffs. With regard to domestic support, nothing much was achieved in Hong Kong as the principle of "you first" still prevailed between the U.S. and the E.U. The U.S. proposed to cut its subsidies by 60% if the E.U. would cut its subsidies by 83%, but the E.U. would only go as far as 70%. Moreover, both the U.S. and the E.U. managed to retain and even include exemptions in the Blue Box and Green Box. Finally, with regard to the reduction of export subsidies, the compliance is still six years away in which time much may still be maneuvered. Still, even if the E.U. eventually complies, the reduction would only be around 10% of its total agricultural support.<sup>12</sup>

After Hong Kong, talks and several General Council meetings were set in Geneva between May and July 2006 to meet the Hong Kong deadlines. Apart from these, small-group meetings, so-called green room sessions and mini-ministerials were happening round the world to settle issues but in favor only for those attending.

The Group of Six (G6) meetings between the U.S., E.U., Japan, Australia, Brazil and India, in particular, mandated by the heads of the G8, sought to settle issues on farm and industrial goods. By July 24, however, these talks had collapsed as the G6, chaired by the WTO chief Pascal Lamy, failed to agree on the steps towards further trade liberalisation. The failure had signaled the breakdown of the five-year Doha Round.

The main cause of the WTO collapse was the stalemate on the key area of domestic agricultural support where the U.S. did not budge an inch from its original position and instead blamed the others for being inflexible on their tariff stands. Since then, the U.S. and the E.U. have engaged in a war of words and what the U.S. accused the E.U. of – 'blamesmanship', further illustrating their irreconcilable dispute.<sup>13</sup>

The collapse only shows that the major stumbling block is still the inter-imperialist dispute between the U.S. and the E.U. on subsidies. Despite having made significant headway towards drastic liberalisation of poor markets, toned down the SP and SSM demands of the poor countries, and neutralized China, to name a few "achievements", the U.S. and the E.U. still have to confront each other on their own protectionism.

The collapse also exposes the emptiness of WTO development rhetoric, with the U.S. and the E.U. dominating the trade body to serve their narrow interests, not to mention the arrogant and autocratic streak of the U.S.

On the other hand, although temporarily, the WTO collapse has stymied the fast and sweeping globalisation process from opening up further the markets of poor countries. And this provides an opportunity for poor countries to review the pace of agricultural trade liberalisation and its impact on the survival of the farming communities.

### **Globalising Asian Agriculture**

Agricultural trade liberalisation happened drastically in Asia despite longer schedules and lower reduction rates. Asian agriculture was never ready for trade liberalisation due to its non-

commercial nature and subsistence level, and the fact that as a result, agricultural products were not exactly Asia's relative advantage in world trade.

Prior to the WTO, most of Asian agriculture was devoted to domestic and household consumption with only about less than 10% of production traded globally. Agricultural products were produced on small-scale, with very few exceptions for export. Asian agriculture had little protection – low domestic support, no export subsidies, and only few agricultural imports were imposed with non-tariff barriers.

In the advent of the WTO, Asia, especially South, East and Southeast Asia, had the steepest decline in tariff averages for all products. **(See Tables 1 and 2)** In agriculture, the applied rates of selected Asian countries were a lot lower than their bound rates, with Indonesia standing out with only 5 % applied tariff. **(See Table 3)**

Applied tariffs were low because of tariff reforms that had been ongoing for a decade before the WTO, mostly as loan conditionality. But aside from being dictated by international creditors to reduce tariffs, as already mentioned, countries also committed to continue reducing applied tariffs after the AoA implementation period by an unweighted average of 24% over 10 years, subject to a minimum reduction of 10% in each tariff line. Given the big difference between bound and applied rates, such commitment was not necessary to reduce applied rates over the implementation period, but countries have continued to reduce their applied tariffs anyway. Indonesia, for instance, has 5 percent average tariff for agriculture as compared with the target of 13.2 % for 2003 under its Pakmei '95 Programme.<sup>14</sup>

Indonesia focused on non-tariff barriers (NTBs) such as import licensing restrictions in the 1990s, which affected 1,000 items. But the number had fallen to 200 in 1996 and declined further as Indonesia committed to the WTO. In agriculture, the country bound 100% of its tariff lines and committed to remove all NTBs, including the remaining *local content rules* for soybean meal and dairy products, licensing rules for alcoholic beverages, and public importation rights given for rice, soybeans, sugar, wheat and wheat flour to BULOG, the National Food Logistics Agency, and to Clove Marketing and Buffer Stock Agency (BPPC) for cloves.

In 1995, Indonesia implemented Pakmei '95, a long-term tariff reduction package ending in 2003

TABLE 1. UNWEIGHTED TARIFF AVERAGE IN PERCENT FOR ALL PRODUCTS

REGION	1980-1983	1984-1987	1988-1990	1991-1993	1994-1996	1997-1999	2000-2001
Developing countries	34.4	27.3	27.6	21.9	18	15	12.6
Africa	35.1	25.6	26.1	26.5	20.5	20.6	25.8
North Africa	38.3	31.2	28.5	24.4	22.3	25	26.1
Sub-Saharan Africa	33.8	22.8	25.4	32.8	20	19.2	15
Sub-Saharan Africa less South Africa	33.8	22.8	25.4	32.8	20.2	20.2	15.3
america	24.9	26.6	23.9	12.3	14	12.7	10.4
Central America and the Caribbean	29.5	18.4			14.9	12.1	8.9
South America	11.2	29.7	25.7	12.2	13.2	13.5	12.1
Asia	36.5	29.6	31	26.8	21	14.4	11.9
West Asia	12.5	13.9	13	10.6	10.7	8.8	10.1
South, East and South-East Asia	43.7	36.2	35.9	29.5	22.6	16.5	12.6
South, East and South-East Asia less China	4.3	35.9	35.5	28.8	22.6	16.4	12.4
Developing countries less China	34	27.1	27.2	21.3	17.9	15.1	12.6
Least developed countries	41.7	29.2	34.4	48.7	23.5	18.2	13.4

TABLE 2. WEIGHTED TARIFF AVERAGE IN PERCENT FOR ALL PRODUCTS

REGION	1980-1983	1984-1987	1988-1990	1991-1993	1994-1996	1997-1999	2000-2001
Developing countries	19.7	22.2	17.9	14.1	11.4	9.9	11
Africa	26.3	20.9	22.5	19.4	15.5	14.8	14
North Africa	26.9	21.2	20	19.4	19.7	18.6	22.7
Sub-Saharan Africa	25.8	20.3	26.8		12.1	10.2	10.7
Sub-Saharan Africa less South Africa	25.8	20.3	26.8		16	19.3	14.6
america	24.7	28.6	20	12.4	11.9	14.1	13.5
Central America and the Caribbean	25.1	13.2			11.6	14.8	14.7
South America		36.4	24.9	12.5	12.1	13.1	11.2
Asia	16.6	20.9	17.1	14.2	11	8.2	9.7
West Asia		10.3	13.4	10.4	8.2	7.6	8.3
South, East and South-East Asia	23.8	24	17.6	14.5	11.2	8.3	9.8
South, East and South-East Asia less China	23.8	22.6	14.9	11.5	8.7	6.6	7.8
Developing countries less China	19.7	18.6	14.2	10.5	10	9.2	10.4
Least developed countries	42.8	37.7	42		49	19.1	14.6

Source: UNCTAD

TABLE 3. BOUND AND APPLIED TARIFFS

Country	Bound rates	Applied rates
Bangladesh*	200% average (except 50% for 13 lines) plus 30%. Other duties or charges (ODC) on all products	25% average
Botswana*	Average n.a. (mostly in the range of 0-100%)	Average 6% (typically 0-35%; formula duties for 6 lines)
Brazil	35% average (0-55% range)	11% average (maximum of 20% linked to maximum MERCOSUR CET rate)
Costa Rica	n.a.	14.8%
Côte d'Ivoire	15% (except between 5 and 75% for 25 items)	16.4% (2001)
Egypt	62% in the base period, to fall to 28% average in 2004	18.5% average (21.8% including ODCs)
Fiji	40% (except for rice and milk powder bound at 60%, to be reduced to 46% by 2005)	Most agricultural imports 15%, and maximum rate 27%
Guyana*	100% average plus 40% ODCs	Average n.a. (maximum rate is 40% - the CARICOM CET rate)
Honduras	35% with some exceptions	11% with some higher rates
India	116% average (about half of tariff lines at 100%, and one-third at 150%)	26% average (89% of tariff lines at 50% or lower, 74% between 25% and 50%)
Indonesia	Quite variable, averaging more than 70%	5%, with 0% tariffs on food items except for rice and sugar
Jamaica	100% average plus 15% ODCs (higher ODCs on 55 lines and three Harmonized System [HS] chapters)	Average 20.2% (maximum applied rate is 40% - the CARICOM CET rate), additional stamp duties
Kenya*	100% average	17% average
Malawi	125% generally except for a few products with ceiling rates of 50%, 55% and 65%	15% average
Morocco*	65% average (34% for 71% of the tariff lines) plus 15% ODCs	n.a.
Pakistan*	101% average	Maximum rate 35%
Peru	30% average (68% for 20 food products)	12% generally with maximum of 20% for some sensitive products
Philippines	Average 13.26% in 2000; up to 100% initially on sensitive commodities reducing to 30-50%	Average n.a., but 10%, 20% or 30%
Senegal	30% average + 150% ODCs	Now range from 10% to 20%, in line with WAEMU CET
Sri Lanka*	50% average	Maximum 35%, with some exceptions
Thailand	36% average	32% average
Uganda	80% generally, with some between 40-70%	11.2% average, plus ODCs of 6%
Zimbabwe	150% (with a few exceptions at 25% and 40%)	Applied rates average 4-6% up to 75% by HS chapter

Source: WTO Agreement on Agriculture: The Implementation Experience of Developing Countries, FAO Corporate Document Repository, UNCTAD

with a three-tiered tariff structure of 0, 5 and 10 %. Approximately 20% of agricultural items such as fruits and vegetables were exempted and average tariff for agriculture was targeted to be around 13.2 % in the final year.

But the IMF Letter of Intent in 1998 (in the aftermath of the Asian financial crash) resulted in

a faster pace than that envisioned under Pakmei '95. To reduce the inflationary impact of the rupiah depreciation on food prices, the Indonesian government agreed to reduce all food tariffs to 5 % and phase out all NTBs including BULOG's monopoly over imports.

Although rice and sugar were exempted from Indonesia's IMF commitment of zero tariffs for food items and BULOG's monopoly over rice imports was not eliminated, Indonesia later opened up rice trade to the private sector as well. Beginning in January 2000, the country introduced new import licensing restrictions to sugar processors but would have to eliminate such under the WTO.<sup>15</sup>

Similarly, the Philippines went through the Tariff Reform Programme (TRP) under the IMF prior to the WTO, which resulted in substantial tariff reduction. The first phase of the TRP-I in the 1980s, implemented as part of an IMF SAP, reduced tariff rates from 100 % to between 10 and 50 %. This was interrupted by the political and economic crises at that time but was continued by the former Philippine president Corazon Aquino's administration in 1986 after the ouster of the Marcos dictatorship. Agricultural export taxes were removed and fertiliser and wheat imports were liberalised. From 1986 to 1988, a total of 2,287 items were liberalised and this marked the end of the first phase. The second phase of TRP-I liberalised another 185 items and tariffed QRs, affecting 36 tariff lines including agricultural products.<sup>16</sup>

The Philippine government implemented TRP-II in 1991, which reduced the number of high-tariff commodity lines over a five-year period ending in 1995. Executive Order 8 issued in 1992 tariffed QRs affecting 153 commodities and liberalised another 286 items. By the end of that year, only 21 agricultural commodities were left regulated out of 632 in 1970.

This was however reversed by the Magna Carta for Small Farmers Law in 1993, which required QRs on agricultural products grown domestically in sufficient quantities, otherwise called sensitive crops. After the long-term Programme of import liberalisation, the Magna Carta (which was a protection mechanism) was passed and re-instituted QRs on rice, corn, pork, poultry, garlic onion, vegetables, and coffee. But beef and sugar remained liberalised. Then later on, the QRs (except for rice) were removed under the WTO.<sup>17</sup>

The Philippine initial and bound tariffs for the sensitive crops were within the range of 95-100 % in 1995 and 1996. By the end of the AoA, bound tariffs for all sensitive agricultural commodities would fall within the range of 10-50 % (See Table 4).

TABLE 4. FREQUENCY DISTRIBUTION OF TARIFF RATES ON SENSITIVE AGRICULTURAL PRODUCTS, 1995-2004 (PHILIPPINES)

Tariff Rates	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
10-30	1	1	1	1	1	1	1	1	1	1
35-50	23	23	36	36	44	44	44	44	90	90
55-70	14	14	9	9	51	5	1	51	0	0
75-90	8	8	50	50	0	0	0	0	0	0
95-100	50	50	0	0	0	0	0	0	0	0

Source: WTO Agreement on Agriculture: The Implementation Experience of Developing Countries, FAO Corporate Document Repository, UNCTAD

The Philippines also committed minimum access volumes (MAVs) of 3% of 1986 to 1988 domestic consumption for 1995 and 5% for 2004. It also committed to reduce bound tariffs by 24% with minimum 10% cut per tariff line from 1995 to 2004.

On the contrary, Thailand had a policy of protectionism in agriculture up until the WTO. This included price intervention policy with public purchases at above market prices, lifting of export tax measures that had burdened farmers, provision of credit incentives and the like.

In 1994, the country had to go through a tariff reform programme, which resulted in deeper tariff cuts than required under the WTO. Following the 1997 financial crisis, tariffs were further reduced in 1999 and 2000, resulting in the removal of the bias against agricultural exports caused by the erstwhile protection.<sup>18</sup>

Under the AoA, Thailand made a commitment to reduce tariffs on 740 tariff lines by an average reduction of 24% over the 1995-2004 period, with a minimum reduction of 10% on all tariff lines. Thailand bound tariffs on 994 agricultural products – 100% of its agricultural tariff lines. The average bound tariff rate was calculated to decline from 49 % in 1995 to the final rate of 36 % in 2004. Thailand also tariffed non-tariff measures on 23 agricultural products by converting them into tariff rate quotas (TRQs) with in-quota tariff rates ranging from 20 to 65 %. It reserved the right to resort to the SSG provision for 111 products, or 11% of the aforementioned 994 agricultural tariff lines.<sup>19</sup>

Thailand had more drastic tariff reform both before the conclusion of the WTO Uruguay Round and after the 1997 financial crisis, which resulted in applied tariffs being lower than the WTO bound rates for all but a few tariff lines. The average

applied tariff rate for agricultural products had gradually declined from 43.1 % in 1995 to 32.1 % in 1999 and 28 % in 2000.

But despite all these, interestingly, Thailand's applied tariff rate is still much higher than the rates for agricultural imports of most other Asian countries. (See Table 5) This is so because due to the long history of protection, after tariff liberalisation, Thailand still has 43% of all its tariff lines exceeding 30 % tariff. The tariff peaks are found in meat and dairy products, sugar, alcoholic beverages, tobacco, fruits and vegetable sectors. In addition, there are still 550 products whose

been bound earlier, India submitted very high ceiling bindings of 100, 150 or 300 %.

When the QRs were removed, the new bound tariff rates for dairy products were 60 %; cereals, between 70 and 80 %; apples, from 40 to 50 %; rape, colza or mustard oil, from 45 to 75 %; and preparations for infant use, from 17.5 to 50 %. In exchange, bound rates for some items were lowered, which included vegetables (peas), fruits (oranges, lemons, grapefruit, pears and quinces, prunes), malt, chewing gum, fruits juices (orange juice), and industrial fatty alcohols. (See Table 6)

As a consequence, about 82% of tariff lines have bound rates between 75 and 150 % and approximately 4% have bound tariffs of 300 %. Yet, the applied tariff rates on most agricultural products are quite low – for a little over 89% of tariff lines, the applied rates are either below or equal to 50 %. There are only 9.4% of the tariff lines for which the applied rates range between 50 and 100 %.

Bangladesh, being an LDC, is not required to undertake commitments with market access. However, it is not allowed to increase its bound tariff, which was set at a uniform ceiling rate of 200 % for all agricultural goods except 13 items for which bound rate is 50 %. Bound tariff rates for two agricultural products, namely green and black

tea are lower than actual tariff. Still, Bangladesh, as will be shown later, cannot take advantage of this trade opportunity as its production remains backward and costly.<sup>21</sup>

In sum, Asia in general had little protection prior to the WTO, thus, got its backward agriculture subjected to extreme competition upon AoA implementation. Tariffs that were meant to earn precious revenues for industrialization, let alone agricultural development, were almost given up long before the WTO through the neo-liberal policies in the IMF SAPs and several other programmes by the World Bank and the Asian Development Bank.

### Domestic Support

Such wholesale restructuring would also undermine Asian governments' capacity to support their agricultural sectors. Thus, the levels of domestic support as measured by the Aggregate

TABLE 5. TARIFF RATES AND DISPERSION\* OF PRIMARY PRODUCTS IN SELECTED ASIAN COUNTRIES (UNWEIGHTED)

Country	1980-81	1985-87	1988-90	1991-92	1993-97 mean	Standard deviation (%)
Thailand	26.3	28.0	33.4	26.2	40.3	19.4
Indonesia	23.0	14.7	14.8	13.6	12.3	19.4
Malaysia	4.3	8.6	7.7	7.3	4.1	21.2
Philippines	-	-	-	-	28.9	4.5
China	-	-	-	-	17.8	18.2
Japan	-	-	-	-	9.1	10.7
Bangladesh	70.7	57.5	72.5	73.3 <sup>a</sup>	-	-
India	69.6	90.8	69.9	44.9	-	-
Pakistan	65.1	65.5	53.7	54.1	-	-

<sup>a</sup> 1993

Source: UNCTAD

\* Dispersion is a statistical term that refers to a method of getting average but assigning weights to each product, thus, the result is not actually an average but an index.

applied tariffs are higher than the bound rates.

In South Asia, India is an important case. Bangladesh, on the other hand, is special since it is classified as an LDC therefore not required to reduce tariffs. India had all its agricultural imports covered with QRs for balance of payments (BOP) reasons. For this, India just had to submit ceiling bindings without upper limit as long as the tariffs had not been bound in earlier negotiations. In addition, there was no obligation to reduce these ceiling bindings during the AoA implementation period.<sup>20</sup>

India had previously bound only some of its agricultural tariffs. These included rice, coarse grains, dairy products and edible oils – rice and dairy products in the Geneva Protocol (1947), maize and millet in the Torquay Protocol (1951), sorghum during the Dillon Round (1962), and soybean and rapeseed oil in the Tokyo Round (1979). For other products for which no tariffs had

TABLE 6. NEW BOUND RATES OF TARIFFS FOR SELECTED AGRICULTURAL PRODUCTS (INDIA)

Section No.	Name of product	Old bound rate	New bound rate
1.	Skimmed milk powder - in powder granular form of fat content not exceeding 1.5 percent	0	60
2.	Skimmed milk powder - not containing added sugar or other sweetening material	0	60
3.	Peas	100	50
4.	Oranges	100	40
5.	Lemons	100	40
6.	Grapefruit	100	25
7.	Fresh grapes	100	40
8.	Apples	40	50
9.	Pear and quinces	40	35
10.	Prunes	40	25
11.	Spelt wheat	0	80
12.	Maize (seed)	0	70
13.	Maize (other)	0	60
14.	Rice in husk (paddy or rough)	0	80
15.	Rice - husked	0	80
16.	Rice - semi- or wholly milled	0	70
17.	Rice - broken	0	80
18.	Sorghum	0	80
19.	Millet	0	70
20.	Malt - not roasted	100	40
21.	Olive oil, other than virgin	45	40
22.	Rape, colza or mustard oil, crude	45	75
23.	Rape, colza or mustard oil, other	45	75
24.	Chewing gum - whether or not sugar coated	150	45
25.	Preparations for infant use	17.5	50
26.	Sweet biscuits, waffles and wafers	150	45
27.	Other potato preparations - frozen	55	35
28.	Orange juice - frozen	85	35
29.	Orange juice - other	85	35
30.	Industrial fatty alcohol	150	50

Source: UNCTAD

Measure of Support (AMS) for most Asian countries are already far below the permitted AMS levels. Thailand's utilisation ratio is the only one on the higher side, but the rest of the selected countries use minimal subsidies. **(See Table 7)**

Developing countries without AMS in the base period committed not to introduce support in the future, but may use *de minimis* levels defined as support up to 10% of the value of individual commodity production. Theoretically, even

developing countries without an AMS entitlement can provide support up to 20% of the value of production – 10% for non-product related support and 10% for product-related support. As already mentioned, they may also exempt subsidies under the SDT.

However, as already pointed out, developing countries used minimal subsidies in the past thus started from low bases. Except for Thailand, Asian

countries pale in comparison to developed countries when it comes to domestic support. (See **Table 8**)

Indonesia maintains a number of domestic supports that include general services, programmes to promote agricultural development, government stockholding, administered price systems for some commodities, and domestic food aid. With the exception of administered prices, most

TABLE 7. SUMMARY OF INFORMATION ON DOMESTIC SUPPORT MEASURES

Country	Information available	Comments
Bangladesh*	None	PS AMS negative; NPS AMS about 1% of VoP
Botswana*	GB only	GB level about 3% of VoP
Brazil	Detailed	PS AMS in 1995 and 1996, respectively, 27% and 23% of permitted levels; NPS AMS de minimis, much of it consisting of credit subsidies
Costa Rica	GB, SDT, AMS	GB outlays falling; no PS AMS used so far; NPS AMS only for 1998 and 1999
Côte d'Ivoire	None	Very low
Egypt	GB and SDT only	-
Fiji	None	-
Guyana*	None	-
Honduras	Only SDT	SDT outlays increased
India	Detailed	PS AMS negative; NPS AMS about 7.5% of VoP in 1995/96 but fell to about 1% subsequently; SDT not used fully but the right to use reserved; unofficial estimates suggest this would reduce NPS AMS to 2.3% of VoP
Indonesia	GB, SDT, AMS (rice only)	SDT not used; only in 2000, rice AMS
Jamaica	GB only	GB outlay about 2% of VoP
Kenya*	GB only	-
Malawi	None	-
Morocco*	Detailed	AMS in current years 12-33% of permitted levels
Pakistan*	Detailed	PS AMS negative; NPS AMS about 3% of VoP; PS AMS calculated for one crop in 1997-98 and 11 in 1986-88
Peru	GB and SDT only	GB 5 percent of VoP; PSAMS 0 percent; NP AMS 5.0-6.2% of VoP
Philippines	None	Very low
Senegal	GB and SDT only	85% of GB/SDT on water development
Sri Lanka*	None	-
Thailand	Detailed	Current AMS 60-80% of permitted levels
Uganda	GB and SDT only	Minimal support provided
Zimbabwe	GB, SDT, de minimis	No PS AMS

**Source:** Countries marked with an asterisk appeared in the earlier FAO study, and for these countries, the data are from 1999 or the most recent available year before that date. For other countries, the data are drawn from the national case studies commissioned in 2002.

of these fall either under the Green Box or under SDT, and need not be reduced. (See Table 9)

But Indonesia did not offer an AMS level, thus, cannot provide support in excess of *de minimis* level to any single product. By failing to give an AMS, Indonesia is subject to greater discipline than countries that made such commitment even though those countries provide far greater level of support.<sup>22</sup>

The Philippines maintained trade-distorting domestic support such as input subsidies and price support for rice, corn and sugar, but these are way below the *de minimis* level, thus, need not be reduced. Still, there has been a conscious effort to phase out input subsidies in favour of privatised irrigation and market infrastructures. (See Table 10)

Rice price support, on the other hand, has become useless if compared with farmgate prices.

From 1996 to 2000, the government support price was a lot higher than farm market prices. Compounding the problem is the limited public fund and capability to procure rice, estimated at less than 4% of total production.<sup>23</sup>

India has a product price support system in the form of minimum support prices announced by the government for different commodities. Based on the computation by the Food and Agriculture Organization, product-specific support for 18 major commodities during the base period amounted to USD18.1 billion, equivalent to 26% of agricultural output in the crop sector. In the first year of AoA implementation, the estimated product-specific AMS turned out to be -34.4% of the value of agricultural output, and by 2000-2001, the same stood at -28.6 %.<sup>24</sup>

The non-product-specific support, which includes subsidies on irrigation, fertilisers,

TABLE 8. THAILAND'S RANK AMONG DEVELOPING COUNTRIES IN TERMS OF SUBSIDIES

Subsidy	Thailand's rank among 41 countries	Subsidy (US\$ million)	Countries with the largest subsidy
AMS	3	486	(1) Republic of Korea (2) Mexico
AMS as a percentage of agricultural GDP	7	(11.6%)	(1) Republic of Korea (2) Trinidad (3) Venezuela
Green Box subsidy	4	1 290	(1) Republic of Korea (2) Brazil (3) India
S&D subsidy	3	247	(1) India (2) Turkey
<i>De minimis</i>	10	12	(1) India (2) Turkey (3) Republic of Korea
Total subsidy	4	2 035	(1) India (2) Republic of Korea (3) Brazil

Note: Several countries did not notify the S&D, *de minimis* and AMS subsidies.

Source: Compiled from ABARE, "Domestic Support of Agriculture", Current Issues, May 2002.

TABLE 9. INDONESIA'S GREEN BOX MEASURES

Type of measure	Monetary value of measure (billion rupiah)					
	1995	1996	1997	1998	1999	2000
General services	366	407	557	622	826	1 057
Payments for natural disaster relief	3	4	5	12	15	127
Domestic food aid	-	-	-	411	426	3 055
Public stock holding of food security	32	38	56	265	347	33
Total in rupiah	401	450	618	1 310	1 613	4 272
Exchange rate (Rp/US\$)	2 249	2 342	2 909	10 014	7 855	8 421
Green Box (US\$ million)	178	192	212	131	205	507

Source: Indonesia's Notification to the WTO on Domestic Support

electricity, credit and seeds, was about 1.3% of the value of agricultural output during the base period. In 1995-1996, the non-product-specific support was roughly 1.9% of the value of agricultural output, and by 2000-2001, the same worked out to be about 2.3 %. **(See Table 11)**

Thailand has provided all kinds of domestic support allowed by the AoA, except for Blue Box measures. Its AMS ceiling was from THB21.8 billion in 1995 to THB19 billion in 2004 **(See Table 12)**. Thailand started with its actual support lower than the allowed, but the percentage has increased rapidly from 72% in 1995 to 84% in 1999 and close to 100% in 2000. This was bound to go higher than the commitment because of the huge increase in budget allocation for the paddy pledging programme.

Since the mid-1980s, Thai agricultural policy has changed almost completely from taxing the agricultural sector to subsidizing and protecting farmers, following the direction of the developed countries. This included price intervention policy, lifting of export tax measures. In the late 1980s and 1990s, this included credit incentives that were provided to farmers to switch from crops that were considered in excess supply to crops that the government listed as "promising" products under the paddy pledging programme.

### **Market Distortions by the U.S. and E.U: Who suffers?**

While Asian countries increased their participation in world trade over the past WTO decade, with around 40% of the total exports being traded amongst them, it is also observable that the composition of their exports has moved towards manufacturing and away from agriculture. At the end of the 1990s, 70% of the exports of the developing countries were manufactures after hovering around 20% in the 1970s while the share of agricultural products to total exports further slid from 20% to 10% during the same period.

TABLE 10. PHILIPPINES DOMESTIC PRICE SUPPORT TO AGRICULTURE, 1995-2000 (THOUSAND PESOS)

Year	Product	Market support	Total AMS
1995		257 253	257 253
	Rice	257 253	257 253
	Corn	0	0
1996		920 468	920 468
	Rice	876 766	876 766
	Corn	43 702	43 702
1997		1 828 558	1 828 558
	Rice	617 447	617 447
	Corn	148 463	148 463
	Raw sugar	1 062 648	1 062 648
1998		621 741	621 741
	Rice	72 220	72 220
	Corn	549 521	549 521
1999		1 241 993	1 241 993
	Rice and corn	1 091 993	1 091 993
	Raw sugar	150 000	150 000
2000		1 192 638	1 192 638
	Rice and corn	592 638	592 638
	Raw sugar	500 000	500 000
Total (1995-2000)			6 062 651

**Source: Various Philippine notifications to the WTO and General Appropriations Act for 1999 and 2000.**

*Other domestic supports (Green Box, Amber Box, etc.) are very insignificant within the context of the overall national budget.*

Although Asian countries are increasingly trading amongst themselves, their export opportunities are still hobbled by backward production conditions that are not protected, and mainly determined by market access conditions in developed countries. As already mentioned, the U.S. and the E.U. continue to be restrictive to exports from the developing world particularly Asia, thus, remain a hindrance to export opportunities.

For instance, developed countries' weighted average tariffs in agriculture are not appreciably higher for exporters from their fellow developed countries than for those coming from the developing countries. Yet, their percentage of reduction in applied tariffs is a lot higher for the developed countries than the developing

TABLE 11. DOMESTIC SUPPORT TO INDIAN AGRICULTURE

Period	Product specific support (US\$ billion)	As a percentage of the value of output of the agricultural sector	Non-product specific support (US\$ billion)	As a percentage of the value of output of the agricultural sector
Base period (1986-87 to 1988-89)	-18.11	-26.10	0.87	1.25
1995-96	-26.37	-34.36	1.44	1.88
1996-97	-27.67	-32.44	1.58	1.86
1997-98	-25.38	-29.52	1.84	2.14
1998-99	-27.75	-30.13	1.86	2.02
1999-2000	-25.50	-27.24	2.07	2.21
2000-01	-26.00	-28.58	2.11	2.32

Source: Computed. WTO Agreement on Agriculture: The Implementation Experience of Developing Countries, FAO Corporate Document Repository, UNCTAD

TABLE 12. MONETARY VALUE OF DISTORTING AND NON-DISTORTING MEASURES 1995-

Year	Monetary value of measures committed to reduce			Monetary value of measures exempt from the reduction commitment		
	Bound AMS ceiling	Actual AMS	Actual as a percentage of bound	Green box	Subsidy on input of production (S&D)	Subsidy on investment (S&D)
	(1)	(2)	(1)/(2)			
1995	21 816.41	15 773.25	72.3	33 594.33	4 310.38	1 051.51
1996	21 506.64	12 932.47	60.1	41 145.31	9 323.35	2 893.96
1997	21 196.87	16 756.58	79.1	47 595.87	4 999.69	1 902.23
1998	20 887.10	16 402.10	78.5	42 826.82	4 600.43	529.28
1999 <sup>a</sup>	20 577.33	17 303.37	84.1	35 948.93	3 058.70	78.22
2000	20 267.56	(20 846.08) <sup>b</sup>	(100.0)	-	-	-
2001	19 957.79	n.a.	(>100) <sup>c</sup>	-	-	-
2002	19 648.02	n.a.	-	-	-	-
2003	19 338.25	n.a.	-	-	-	-
2004	19 028.48	n.a.	-	-	-	-

<sup>a</sup> The figure is from preliminary data.

<sup>b</sup> Estimated by the author from the Farmer Assistance Fund (THB5 189.1 billion), BAAC (THB9 872.96 billion) and BOT (THB5 784.01). The number is still an overestimate.

<sup>c</sup> Available data suggest that actual support might be much larger than the committed support. The proposed budget was B5.2 billion from BOT, B6.18 billion from FAF and THB19.96 billion from BAAC.

Source: Department of Business Economics, Ministry of Commerce

countries. This only shows a great bias against exports from the developing world. On the other hand, developing countries have always been restrictive to the exports from their fellow developing countries, but their average tariffs for both developed and developing countries are almost the same. (See Table 13)

According to the UNCTAD, tariff levels even conceal the level of protection against developing countries' exports. Products of particular export interest for developing countries are also subject to specific tariffs, tariff peaks and tariff escalation in developed country-markets.<sup>27</sup> In the case of specific tariffs, the protection level increases when international prices fall. In the U.S. and E.U.

including Japan, 30% of the agricultural tariff lines contain these specific tariffs. On the other hand, between 1994 and 2005, the number of tariff peaks on agricultural exports of developing countries to developed countries more than doubled, comprising 29% of total tariff peaks in 2005. Lastly, tariff escalation is extremely applied on processed products and more pronounced in commodities such as meat, sugar, fruit, coffee, cocoa and hides and skins, which are of export interest to many poor countries.<sup>28</sup>

In the area of domestic support, progress in reducing subsidies has been limited. As already mentioned, due to the existence of the peculiar "boxes", there has been a shift in the developed

## South Korea and the WTO

Unlike other Asian countries, South Korea's bound tariff rate on all agricultural products is 64.1%, which poses a significant barrier to agricultural trade. South Korea bound 91.7% of its tariff line items.<sup>25</sup>

South Korea agreed to lower tariffs on more than 30 agricultural products including mixed feeds, feed corn, wheat, vegetable oils and meals, and fruits and nuts between 1995 and 2004, and has fully phased in those tariff reductions. But duties remain very high on many high-value agricultural and fishery products. South Korea imposes tariff rates of 30 % or higher on most fruits and nuts, many fresh vegetables, starches, peanuts, peanut butter, various vegetable oils, juices, jams, beer, and some dairy products. Products of interest to U.S. suppliers, such as table grapes, beef, canned peaches, canned fruit cocktail, apples, pears, and a variety of citrus fruits are imposed tariff rates of 40% or higher. In many instances

Korea applies prohibitively high tariffs despite the absence of domestic production.<sup>26</sup>

South Korea also established TRQs meant to provide minimum access to previously closed markets. *In-quota* tariff rates are zero or very low, but the *out-quota* tariff rates are prohibitive. Korea also implements QRs through its import licensing system – it continues to restrict importation of value-added soybean and corn products. Lastly, like Japan and the Philippines, South Korea also received a 10-year exception to tariffication of rice imports, and instead negotiated an MAV.

In domestic support, Korea agreed to reduce its AMS by 13% by 2004. But the South Korean government substantially increased its level of domestic support to the cattle industry in 1997 and 1998, consequently raising the overall AMS level. In 1999, the issue was raised by the U.S. and Australia in the WTO dispute settlement proceedings. The WTO Appellate Body ruled against South Korea, concluding that South Korea had not been computing the current level of domestic support in a manner compatible with the requirements of the AoA.

countries in their domestic subsidies from directly price-related subsidies to direct payments and other 'indirect' subsidies, thereby effectively increasing their overall level of domestic support without decreasing their profit margin.

According to the OECD, the level of support to OECD countries remains high, having changed only a little since 1995. As a share of gross farm receipts, support given to producers fell from an average of 37% in 1986-1988 to only an average of 30% in 1995-1997, and since then has remained in the same level. In absolute terms, it has increased from USD243 billion in 1986-1988 to USD279 billion in 2004.<sup>29</sup>

The E.U. is the bigger user of Blue Box subsidies than the U.S. and has substantially increased its usage since 1995. On the other hand, the U.S. is the bigger Green Box user and has practically maintained the level of subsidies under this exemption. **(See Tables 14 and 15)** Yearly, on the average, the E.U. has used USD21 billion in direct payments to producers while the U.S. has paid almost USD50 billion to so-called rural development such as grants and loans to agribusiness and rural enterprises.

The E.U. Blue Box payments represent around 10% of its value of production. It increased from 1995 to 2002 and may have even gone through the 1992 ceiling.<sup>30</sup> The OECD calculates the support given each product in 1992 and compares this with those under the Blue Box, which gives a better idea how subsidies have been shifted to the Blue Box. **(See Table 16)** The U.S. on the other hand had moved its subsidies from the Amber Box to the Green Box, and Green box subsidies have dominated U.S. subsidies since 1998.

The Common Agricultural Policy (CAP) of the E.U. as well as the U.S. Farm Bill reflect the directions of both markets towards maintaining their subsidies. For instance, 90% of the CAP budget is for price-based subsidies, but this is being reduced to 21% in order to increase direct payments to farmers to 68% of the CAP budget. Examples of direct payments are those made supposedly to limit production (Blue Box) and are paid on the basis of area grown and/or a fixed number of livestock owned, and are thus considered not directly linked to production. In fact, the E.U. made early revisions in the CAP, i.e. introducing direct payments in 1992, in order to

TABLE 13. EFFECTIVELY APPLIED TARIFFS IN DEVELOPED AND DEVELOPING COUNTRIES BY SELECTED PRODUCT GROUP, 1994 AND 2005 (PER CENT)

	Exporting Regions											
	Simple Average						Weighted Average					
	1994		2005		Percentage change		1994		2005		Percentage change	
	Developed countries	Developing countries	Developed countries	Developing countries	Developed countries	Developing countries	Developed countries	Developing countries	Developed countries	Developing countries	Developed countries	Developing countries
<i>All products</i>												
Developed countries	5.43	5.73	2.54	3.80	-53.2	-33.7	3.32	4.47	1.29	2.12	-61.1	-52.6
Developing countries	18.83	19.96	9.14	9.87	-51.5	-50.6	13.15	14.71	5.85	4.88	-55.5	-66.8
<i>Agriculture</i>												
Developed countries	5.09	3.11	5.19	3.02	2.0	-2.9	4.88	2.83	2.98	2.48	-38.9	-12.4
Developing countries	19.92	18.98	15.55	11.59	-21.9	-38.9	11.20	14.04	12.62	12.12	12.7	-13.7
<i>Manufactures</i>												
Developed countries	5.49	6.21	2.28	3.94	-58.5	-36.6	3.25	5.18	1.14	2.39	-64.9	-53.9
Developing countries	18.76	20.13	8.52	9.68	-54.6	-51.9	13.65	16.83	5.13	4.38	-62.4	-74.0
<i>Labour-intensive manufactures</i>												
Developed countries	9.35	11.59	4.94	8.44	-47.2	-27.2	8.90	11.19	4.33	9.32	-51.3	-16.7
Developing countries	26.07	26.74	11.95	13.86	-54.2	-48.2	23.55	31.96	6.92	7.33	-70.6	-77.1
<i>Other manufactures</i>												
Developed countries	4.56	3.81	1.64	2.13	-64.0	-44.1	2.98	2.83	1.03	0.88	-65.4	-68.9
Developing countries	17.85	18.47	8.06	8.60	-54.8	-53.4	13.36	14.31	5.10	4.03	-61.8	-71.8

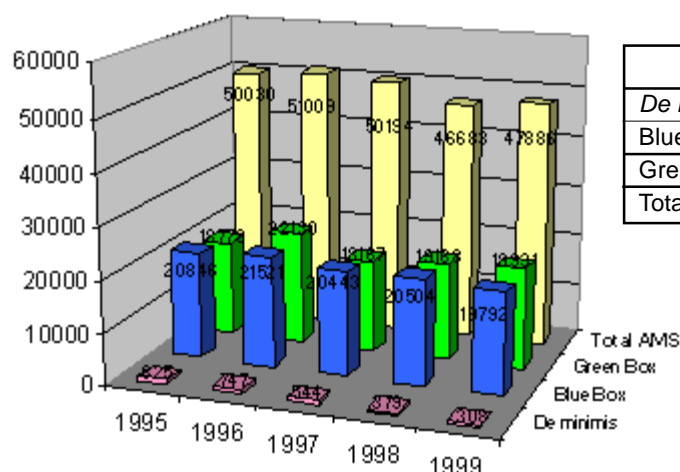
Source: UNCTAD, Trade Analysis and Information System (TRAINS) Database at the World Integrated Trade Solution (WITS).

Note: Based on the nearest year for which tariff data are available.

TABLE 14. FIGURES AND GRAPHS OF THE DIFFERENT AGRICULTURAL SUPPORT MEASURES FOR THE EUROPEAN UNION, ICELAND, JAPAN, NORWAY, SLOVENIA, THE SLOVAK REPUBLIC AND THE UNITED STATES

European Communities (million EUR)					
	1995	1996	1997	1998	1999
Blue Box	20846	21521	20443	20504	19792
Green Box	18779	22130	18167	19168	19931
Total AMS	50030	51009	50194	46683	47886
De minimis	825	747	544	379	308
Total	90480.01	95407.4	89347.8	86733.4	87916.5

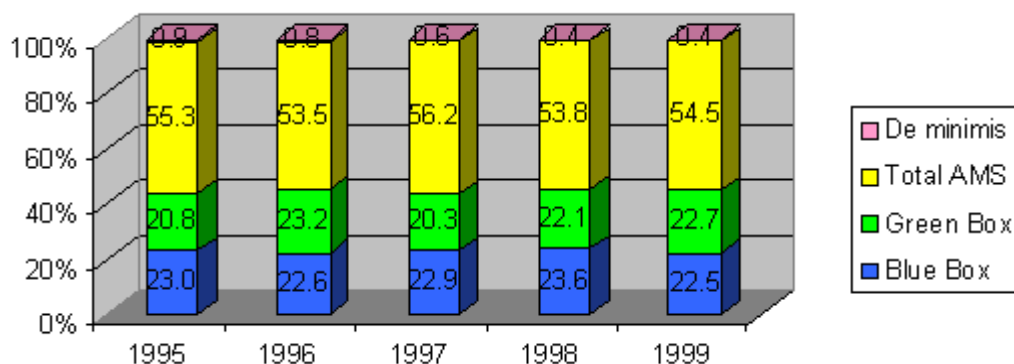
Expenditures of domestic supports as classified under the different boxes in the European Union



	1995	1996	1997	1998	1999
De minimis	825	747	544	379	308
Blue Box	20846	21521	20443	20504	19792
Green Box	18779	22130	18167	19168	19931
Total AMS	50030	51009	50194	46683	47886

	1995	1996	1997	1998	1999
Blue Box	23.0	22.6	22.9	23.6	22.5
Green Box	20.8	23.2	20.3	22.1	22.7
Total AMS	55.3	53.5	56.2	53.8	54.5
De minimis	0.9	0.8	0.6	0.4	0.4

Shares of domestic supports along the different boxes in the European Union

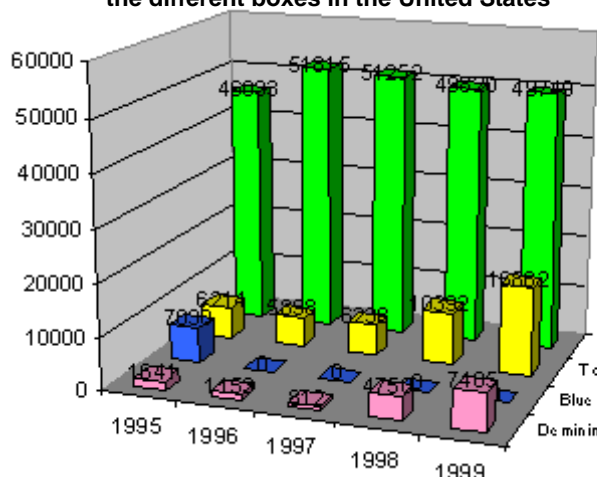


Source: UNCTAD, Trade Analysis and Information System (TRAINS) Database at the World Integrated Trade Solution (WITS).

TABLE 15. FIGURES AND GRAPHS OF THE DIFFERENT AGRICULTURAL SUPPORT MEASURES FOR THE EUROPEAN UNION, ICELAND, JAPAN, NORWAY, SLOVENIA, THE SLOVAK REPUBLIC AND THE UNITED STATES

United States (million USD)					
	1995	1996	1997	1998	1999
Blue Box	7030	0	0	0	0
Green Box	46033	51815	51252	49820	49749
Total AMS	6214	5898	6238	10392	16862
De minimis	1641	1153	812	4750	7405
Total	60918.08	58865.86	58302	64961.6	74016

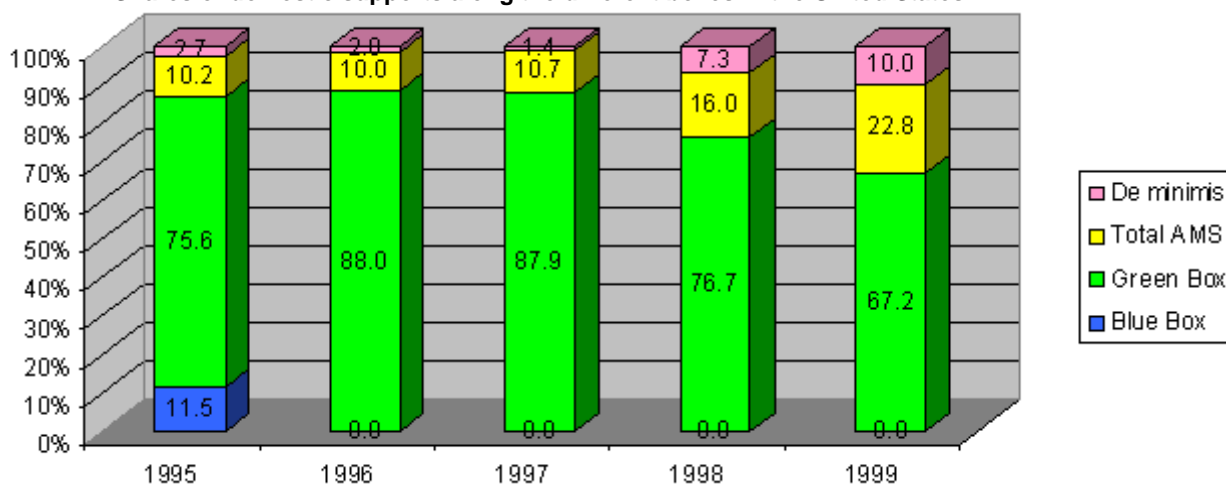
Expenditures of domestic supports as classified under the different boxes in the United States



	1995	1996	1997	1998	1999
De minimis	1641	1153	812	4750	7405
Blue Box	7030	0	0	0	0
Total AMS	6214	5898	6238	10392	16862
Green Box	46033	51815	51252	49820	49749

	1995	1996	1997	1998	1999
Blue Box	11.5	0.0	0.0	0.0	0.0
Green Box	75.6	88.0	87.9	76.7	67.2
Total AMS	10.2	10.0	10.7	16.0	22.8
De minimis	2.7	2.0	1.4	7.3	10.0
Total	100	100	100	100	100

Shares of domestic supports along the different boxes in the United States



Source: UNCTAD, Trade Analysis and Information System (TRAINS) Database at the World Integrated Trade Solution (WITS).

TABLE 16. SUBSIDIES BY COMMODITIES IN 1992 AND FROM 1995 TO 1999 IN THE E.U. (MILLIONS IN EUR)

	PSE in 1992	PSE less OS in 1992	Blue Box payments				
			1995	1996	1997	1998	1999
Wheat	6981	6018					
Coarse grains	7940	6844					
Cereals	14921	12862	12672	12910	11822	11637	11696
Rice	421	363			40	81	124
Oilseeds	2995	2582	2381	2439	2369	2264	1318
Beef and veal	14997	12927	3876	3322	3081	2990	2930
Sheepmeat	4124	3555	1321	1007	1171	1536	1734
Total	37458	32289	20486	21521	20443	20504	19792

*PSE - Producer Support Equivalent*  
*OS - Other Support*

Source: UNCTAD

compensate for cuts in market price supports or simply to continue supporting a sector.<sup>31</sup>

The U.S. on the other hand succeeded in including its Farm Bill counter-cyclical payments in the Blue Box, i.e. subsidies that are expanding when world prices fall and vice versa. These payments are provided in 8 sectors, all considered sensitive crops in the developing countries – cotton, wheat, corn, soybeans, rice, barley, oats and sorghum- and given to producers based on fixed areas and yields in reference to past production. These cover around USD9-10 billion a year of the Farm Bill budget.<sup>32</sup>

In the end, with the CAP, agriculture is still the single biggest expenditure of the E.U. despite pronouncements of declining price supports. The level of support to producers has even reached historic highs. Meanwhile, with the Farm Bill, the U.S. has increased support spending by 63 %.<sup>33</sup> The Farm Bill now includes over USD135 billion in new subsidies over the next 10 years. It is estimated that the rice farmers in the U.S. receive USD75,000 per household from the government in the form of direct payments.<sup>34</sup>

On the other hand, from 1995 to 2000, on average USD6.2 billion was spent annually on export subsidies, reaching USD11 billion in 2000 for 25 subsidising countries. The E.U. accounted for almost 90%.

Almost 35% of export subsidies are for dairy products and 23% for meat. Beef makes up almost 60% of meat subsidies and producers of cereals and sugar also receive a considerable amount.

Some countries pay export subsidies in order to dispose of their surplus agricultural production on world markets – a surplus production that is stimulated by domestic supports and high import tariffs. The E.U. is by far the largest provider of

these export subsidies. Meanwhile, the use of export credits, or loans provided to effect agricultural exportation, has been expanding in recent years. In this connection, the U.S. is the largest provider.<sup>35</sup>

Overall, according to the U.S. Department of Agriculture, market distortions in agriculture are 52% caused by tariffs, 13% by export subsidies and 31% by domestic support. Whether or not such summary is accurate, one thing is clear: such distortions have had grave impact on Asian agriculture.

The primary outcome of market distortions has been the practice of dumping. Subsidies and high tariff walls have resulted in artificially high farm production levels that allow producers to dump their surplus in other countries at less than the production cost. This has been made even more possible in the 'subsidy-shifting' pulled off by the U.S. and the E.U.

Shifting subsidies from the Amber Box to the Blue Box and Green Box in reality does not lower the profit margin of the producer. In fact, it even allows the producer to have artificially high production levels that in turn are so trade distortive that they could send weaker agricultures into a tailspin. Martin Khor of Third World Network explained this clearly.

According to Khor, it is not so important for the producer whether he gets revenue over and above his production cost and makes a profit from a higher price presumably brought about by price support measures or from direct payments. What is important for him is to obtain the revenue and profit, period. Whatever form of subsidy that helps him make revenue and maintain or increase profitability is significant to his production and market.

Under the Amber Box (price support):

1. The farmer receives a price support.
2. Domestic price is pulled up a lot higher than the world price because of price support.
3. This allows the farmer's revenue to be over production cost, thus resulting in profit.
4. Farm is viable even if production cost is higher than world price.
5. If bulk of production is exported, which is usually the case; this is made possible through an export subsidy equal to the world price.

Under the Blue Box and Green Box (direct payments):

1. Domestic price is the same or even lower than the world price.
2. The farmer gets a price that is lower than the production cost.
3. But then, he receives a high subsidy as direct payment.
4. He thus gets the same revenue and profit as the farmer under the Amber Box.
5. Farm remains viable even if it is already inefficient.
6. The direct payment allows the farmer to sell at price below the world price and export at a competitive price that is artificially low because of the subsidy. In effect the farmer does not even need an export subsidy anymore in order to sell abroad.

The U.S. is a heavy dumper of wheat, soybeans, maize, cotton and rice while the E.U. dumps sugar, beef and together with the U.K., wheat. The consequences would be obvious since these are agricultural and food products that Asian countries produce sufficiently for domestic consumption or export to earn revenues.

In the study done by the Action Aid, it has been revealed that in 2000 and 2001 the average world price of wheat was only 73 GBP per ton but U.K.'s average cost of production was about 113-124 GBP and the U.K. price was 70-78 GBP. Thus wheat sold in the global market was about 35-40% below production cost. The biggest 28% of U.K. arable farms got 78% of the direct payments, with the largest farms and richest people getting the bulk.<sup>36</sup>

E.U. sugar prices, on the other hand, are maintained through three complementary mechanisms: intervention price, import tariffs and export refunds. Since 1981, however, the E.U. has not used the intervention price much since E.U. internal sugar prices have always been higher than

the intervention price. Secondly, this has been made possible through high tariff barriers imposed on sugar exporters to the E.U. particularly former E.U. colonies who have the preferential sugar quotas. Lastly, high internal prices are maintained by exporting the surplus production of sugar with some form of subsidy. Export refunds total around 1.5 billion EUR (the difference between the internal and global prices), which allows inefficient farms to sell at prices below the internal price and cost of production. Like with wheat, it is the big farmers, sugar beet processing companies and companies getting the export refunds that benefit from protectionism.<sup>37</sup>

On the other hand, the U.S. guarantees sugar prices, restricts imports with a quota ceiling of 1.1 million tons divided amongst 40 countries and with a tariff on imports above the quota at a little below 100 %. This regime affords refiners and growers USD2 billion a year in higher prices at the expense of the sugar users.<sup>38</sup>

Meanwhile, in a study conducted by the Institute for Agriculture and Trade Policy (IATP), it has been revealed that the U.S.-based global food companies continue rampant dumping. In 2003, these companies sold super below the cost of production: wheat at an average price of 28% below production cost; soybeans at 10%; corn, 10%; and rice, 26%. This has been made possible through the U.S. Farm Bill, which at the behest of agribusiness, abandoned intervention mechanisms and sent agricultural prices into a freefall. To arrest the downfall of U.S. agriculture, Congress introduced "counter-cyclical payments".

Before deregulation, the U.S. market had one structural flaw: there were millions of producers and only few commodity buyers and processors. Intervention therefore set a floor price that commodity buyers had to pay farmers. Under the Farm Bill, farms have become expensive but contradictions between farmers and commodity buyers and processors have intensified.

More significantly, the U.S. Farm Bill institutionalised dumping on world markets. Dumping of wheat increased from 27% annually in 1990-1996 to 37% per year post-1996; soybean from 2% to 11.8%; maize from an annual average of 6.8% to 19.2%; cotton, 29.4% to 48.4%; and rice from 13.5 to 19.2 %. Clearly, it is the largest commodity traders, such as Archer Daniels Midland, Cargill and Bunge Ltd. that dominate financing trades, processing and shipping that benefit immensely from dumping. They are vertically integrated, buy cheaply and control the value-added stages of production.<sup>39</sup>

### ***The Myriad of Catastrophes***

Market distortions have had disastrous consequences on the domestic production and export opportunities of developing countries. The small-scale farmers who make up around 80% of the producers in Asia for instance suffer the impact of dumping the most. They suffer in two ways: shrinking production levels and lost export opportunities – both result in untold misery not only for the peasantry but also for the general public.

To illustrate, Indonesia is not a wheat producing country. But since the Indonesian government has a long-term policy to veer away from the country's heavy reliance on rice, it has encouraged the consumption of wheat-based foods such as noodles, bread, etc. Since the 1970s, Indonesia has imported an increasing quantity of wheat flour and national companies have increased wheat processing. With the increasing demand coupled with trade liberalisation, wheat imports leapt from 40,000 tons in 1998-1999 to 220,000 tons in 1999-2000.<sup>40</sup>

This has sent local rice producers and small and medium-scale domestic wheat millers to bankruptcy. Cheap wheat imports are depressing domestic prices and marginalizing rice farmers. In 1999, for instance, imported flour was only USD220 per ton as compared with the local price of USD280 per ton. The Indonesian Anti-Dumping Committee (KADI) found Australia, the E.U. and the United Arab Emirates guilty of dumping and linked this with the displacement of local flour. But business lobbied the Indonesian government not to increase duties.<sup>41</sup>

On the other hand, the price of Indonesian domestic sugar has always been higher than the world price. The Indonesian government attempted to control this with BULOG's monopoly over sugar and other important food commodities. But this came to an end in 1998 following the IMF agreement related to the Asian financial crash wherein the IMF required liberalisation of sugar imports and deregulation of sugar production. Although sugar was exempted from zero tariff under the AoA, the IMF agreement imposed zero tariffs and 48% market access up to 2001. Sugar imports increased from 975,000 tons in 1996 to 1.95 million in 1999 and eventually imported sugar accounted for 60% of national consumption.

The traders such as the distributors and retailers, mostly foreign, have gained immensely from import liberalisation since through monopoly pricing they can import sugar cheaply and sell expensively in the local market. Smuggling and hoarding of sugar stock have also become

rampant due to this traders' regime. This has put the farmers and sugar factories to the disadvantage, recently prompting the Indonesian government to reinstate BULOG's role in sugar importation. Unfortunately, however, without notice, BULOG assigned Cargill to do the task.<sup>42</sup>

Philippine meat importation, on the other hand, has dramatically increased under the AoA, with beef imports growing three times faster than domestic production. In 2000, beef imports accounted for 19% of total supply.

The landed costs of meat imports are a lot lower than the price of domestically produced meat. Because of high production and marketing costs on one hand and depressed farmgate prices on the other hand, productivity and profitability of livestock and poultry raising in the Philippines is marginal – 56 centavos (10 cents) per kilo for swine, PHP14.02 (27 cents) per kilo for chicken, and PHP 1,590 per head for cattle raised in six months or roughly PHP 53 (USD1) per day. In the main, raisers' productivity and profitability is dictated by the traders-integrators who monopolise inputs and trade. With the influx of cheap imported meat, the traders bid even lower than usual and pit one province against another to get the lowest price per kilo liveweight, making local production practically pointless.<sup>43</sup>

Because of the subsidy regime, the E.U. has brought down meat prices below production cost. The landed costs of beef in 2000 and 2001 from the E.U. were a lot lower than the prevailing policy price or what may be considered the world price.

**(See Table 17)**

TABLE 17. PHILIPPINE LANDED COST VS. POLICY PRICE (IN US DOLLARS PER METRIC TON)

2001		
	Landed Cost	Policy Price
France	811.18	3,560.00
Germany	1,063.79	
Italy	4,855.77	
Netherlands	1,028.32	
Spain	913.95	
2000		
	Landed Cost	Policy Price
Belgium	1,260.10	3,708.00
Denmark	1,264.07	
UK	1,053.98	

*Source: Impact of EU Policies: the Case of Philippine Agriculture, a speech delivered by Rosario Bella Guzman at ASEM4people summit, Copenhagen, Denmark, September 2002*

Dumping has had direct correlation with production shortfalls as well as bankruptcies in developing countries. An FAO study shows that dumping has caused high incidences of import surges in 1984-2000 for 8 key products in 28 developing countries, with the incidence rising after 1994. Examples are Philippines, 72 cases of import surges; Kenya, 45 cases; Bangladesh, 43; Benin, 43; Botswana, 43; Burkina Faso, 50; Cote d'Ivoire, 41; Dominican Republic, 28; Haiti, 40; Honduras, 49; Jamaica, 32; Malawi, 50; Mauritius, 27; Morocco, 38; Peru, 43; Uganda, 41; Tanzania, 50; and Zambia, 41. Import surges were often accompanied by production shortfalls in the same products where there were import surges. The rise in imports caused by dumping led to declines in production output and farmers' incomes. The FAO put it mildly, "Given the large number of cases of import surges and increasing reports of the phenomenon from around the world, this could be potentially a serious problem."<sup>44</sup>

Based on the foregoing, it is obvious that the immediate impact of dumping on Asian agriculture, whose production is backward, backyard, low technology and controlled by transnational corporations (TNCs) and whose trade has been imposed with zero tariffs and zero subsidy, is the bankruptcy of small-scale farmers. Without government safety net, Asian agriculture has shrunk and fluctuated over the years, and the situation has resulted in farm closures and increased migration.

The production level of wheat for instance has been erratic for countries such as Bangladesh, India and Thailand, and declining for South Korea and Mongolia. Paddy rice production has been fluctuating for most Asian countries; and maize declining for South Korea and Thailand. Yet, production costs for these products have gone up steeply, especially for rice and maize for Indonesia. In addition, except for China, the E.U. and U.S. still have the highest production levels, and to illustrate the imbalance, the U.S. has the lowest production cost. **(See Tables 18, 19, 20, 21)**

Backwardness of production is one of the obvious reasons for the rapid decline of Asian agriculture under trade liberalisation. But it is also worth noting that existing exploitative relations in Asian agriculture contribute to the overall impact of trade liberalisation, and vice versa, trade liberalisation has intensified these exploitative relations. Because of the competition killed by dumping, traders and middlemen who dominate the agricultural landscape in most of the Asian

countries stop purchasing the farmers' produce, and further depress the farmgate prices. But the market distortion is barely beneficial to the consumers, as some would argue that cheap imports would translate to cheaper commodities. Trading cartels proliferate in cahoots with foreign agribusiness corporations and their common practice is monopoly pricing and speculation.

Governments, on the other hand, have deregulated prices and withdrawn price support mechanisms and in the process allowed trading monopolies and cartels and TNCs to have absolute control over agricultural and food commodities and to manipulate prices and supply. Governments have also privatised importation and its allocation as well as marketing and stockholding to landlords, traders and TNCs. This has increased the already high production costs since cartels also control the trade of imported seeds and fertilisers.

The second impact of dumping – losing export opportunities – is basically brought about by declining world prices for most of the commodities. The developing countries' exporters are blocked in the developed countries through high tariffs and subsidies. They are also blocked in third countries since the subsidising countries are exporting to these third countries at artificially low prices.<sup>45</sup>

Developing countries produce two kinds of agricultural commodities for export: products that are also produced by the developed countries and products that do not compete with the developed countries. With the first type of commodities, with cotton and sugar as examples, the subsidy regime in the E.U. and the U.S., has depressed world prices and has elbowed out developing countries from gaining global export revenues. As for the second type, with coffee as example, these are usually at the lower end of the value chain, lacking the capacity to climb up the levels of processing and manufacturing. They are also over-supplied, which places downward pressures on prices, especially since too many developing countries are being advised by international agencies to export these commodities. Lastly, TNCs buy these products and since these TNCs are monopsonies, they dictate prices.<sup>46</sup>

As already mentioned, agricultural exports coming from poor countries have declined and lost significance over the years, and this may be gleaned from their low shares in exports of the most market-dynamic agricultural commodities. **(See Table 22)** Except for the increased agricultural output and total food production of

TABLE 18. PRODUCTION OF SELECTED AGRICULTURAL PRODUCTS (IN METRIC TONS)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Wheat</b>										
Bangladesh	1244990	1369130	1454199	1802815	1908000	1840000	1673000	1606000	1507000	1253000
China	102211429	110569193	123290085	109726066	113880088	99636127	93873234	90290262	86488264	91330265
India	65767400	62097400	69350200	66345000	71287504	76368896	69680896	72766304	65100000	72060000
Korea, Republic of	10262	10923	7433	4781	5626	2339	2841	5834	10011	12000
Mongolia	256700	216282	237700	191836	166700	138722	138700	149336	180000	150000
Thailand	639	710	750	750	750	800	800	800	800	800
<b>Rice, Paddy</b>										
Bangladesh	26399000	28182000	28152000	29710000	34430000	37627500	36269000	37593000	39090000	37910000
China	187297968	197032897	202771843	200571557	200403308	189814060	179304887	176342195	162304280	177434000
India	115440000	122500000	123700000	129055000	134495904	127400000	139900000	116500000	130500000	129000000
Indonesia	49744140	51101504	49337056	49236700	50866388	51898000	50460800	51489696	52137600	54060816
Korea, Republic of	6387301	7121421	7312096	6779290	7032757	7196582	7406517	6687225	6015000	6800000
Philippines	10540640	11283570	11268000	8554000	11786600	12389400	12954900	13270653	13499900	14496800
Thailand	22015500	22331600	23580000	23450000	24172000	25844000	26523000	26057000	27241000	26948000
<b>Maize</b>										
Bangladesh	2000	2675	3000	2660	4000	10000	10000	10000	10000	10000
China	112361571	127865412	104647617	133197612	128287195	106178315	114253995	121496915	115997909	132160000
India	8245902	9307423	8770851	10169488	9204036	9677000	9347200	9654105	10886442	11354900
Indonesia	8245902	9307423	8770851	10169488	9204036	9677000	9347200	9654105	10886442	11354900
Korea, Republic of	74465	72168	86763	80203	79333	64205	57000	72223	70242	70000
Philippines	4161330	4345010	4332420	3823184	4584600	4511104	4525010	4319262	4615630	5413390
Thailand	4155000	4532610	3831647	4617455	4286200	4462000	4466000	4230000	4160000	4094000

Source: WTO

some countries such as Brazil, China and Thailand, developing countries are losing out in agricultural trade.<sup>47</sup>

Exporting developing countries face steep and in many cases catastrophic declines in the prices of their commodities, especially cotton (47%), coffee (64%), rice (61%), cocoa (71%), and sugar (77%).<sup>48</sup> While there have been rebounds in the absolute prices of several agricultural commodities, in real terms prices have declined by an annual average of 2% since 2002. From 1997 to 2001 in fact, coffee prices fell almost 70%, plummeting below the cost of production in many countries and precipitating food emergencies in

several countries in Africa and Central America.<sup>49</sup>

As a result, chronic trade deficits experienced in several Asian countries owing to continuing colonial trade patterns have been exacerbated. Except for Thailand, most of the East, Southeast and South Asian countries continue to be drained of precious foreign exchange. **(See Table 23)**

The lack of competitive advantage, whether the product is heavily subsidised by competing developed countries or of low value-chain due to colonial and imbalanced agreements, has hindered the growth of the developing countries' agricultural exports for many years. Still, developing countries are dictated to be export-

TABLE 19. PRODUCTION PRICE OF SELECTED AGRICULTURAL COMMODITIES (LC)

	1995	1996	1997	1998	1999	2000	2001	2002
<b>Wheat</b>								
Bangladesh	7500	7420	7340	8050	8500	8060	8190	8420
China	1445	1578	1405	1346	1196	979	1050	1056
India	4713	5790	5518	5945	7373	6649	6930	6956
Korea, Republic of	502425	502425	502425	560654	588757	612211	636675	636675
<b>Rice, Paddy</b>								
Bangladesh	7070	5480	5340	6380	6480	6180	6030	6600
China	1537	1601	1412	1366	1198	1080	1256	1166
India	4890	5474	4336	4940	6224	5960	5400	5643
Indonesia	468534	481896	541281	939861	1214560	1069990	1152740	1233432
Korea, Republic of	315000	309000	272667	284170	257167	234500	235607	233333
Philippines	7240	8130	7920	8110	8060	8120	8150	8820
Thailand	4132	5372	5472	6629	5579	4808	4484	4425
<b>Maize</b>								
Bangladesh	7651	7569	7487	8212	8671	8222	8354	8589
China	1192	1137	1071	1092	942	847	967	901
India	3903	3893	4112	4628	5096	4981	5590	5670
Indonesia	394087	477614	499048	868854	1073870	930320	1230540	1316678
Korea, Republic of	42525	468975	483075	491650	518500	549700	566775	580000
Philippines	6280	6160	5970	5650	5340	6370	6500	6420
Thailand	3546	4420	4190	3930	4090	3980	3950	4142

Source: WTO

TABLE 20. PRODUCTION OF SELECTED AGRICULTURAL PRODUCTS

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Wheat</b>										
E.U.	87831830	99925586	94879861	103927036	97485913	105691044	92094146	104434000	91013404	
U.S.	277599632	335743632	336536265	349444600	335552820	342808564	325480116	298788144	348896582	389067930
<b>Rice, Paddy</b>										
E.U.	2108903	2667330	2719996	2647898	2704106	2455387	2548034	2617848	2668513	
U.S.	7887000	7793000	8300697	8364200	9343954	8657819	9764495	9568996	9033610	10469730
<b>Maize</b>										
E.U.	30368211	35575549	39566953	36517460	37576912	38915361	41025470	40544466	33757067	
U.S.	187968992	234527008	233867008	247882000	239548992	251854000	241484864	228805088	256904560	299917120

Source: WTO

TABLE 21. U.S. PRODUCTION PRICE OF SELECTED AGRICULTURAL COMMODITIES

	1995	1996	1997	1998	1999	2000	2001	2002
Wheat	167	158	124	97	91	96	102	132
Rice, Paddy	202	220	214	196	131	124	94	85
Maize	128	107	96	76	72	73	78	93

Source: WTO

TABLE 22. SHARES OF MAIN EXPORTERS AND OF DEVELOPING ECONOMIES IN WORLD EXPORTS OF THE MOST MARKET-DYNAMIC AGRICULTURAL COMMODITIES, (a) 1998

Rank	Rank among all products	SITC code	Product group (b)	Share of developing countries	Main exporting countries (Share)	
1	6	261	Silk	87	China (70) Germany (9)	India (3)
2	12	111	Non-alcoholic beverages	22	France (19) Canada (7) United States (7)	Belgium/Luxembourg (7) China (7)
3	17	048	Cereal preparations	14	Italy (11) Germany (10)	France (10) United Kingdom (8)
4	23	098	Preserved food	17	United States (16) France (12) Germany (8)	China (5) Netherlands (6)
5	27	062	Sugar preparations	25	United Kingdom (10) Germany (9) Spain (9)	United States (7) Belgium/Luxembourg (6)
6	31	122	Manufactured tobacco	24	United States (29) Netherlands (16)	United Kingdom (10)
7	33	073	Chocolate	7	Germany (16) Belgium/Luxembourg (13) France (11)	United Kingdom (8) Netherlands (7)
8	67	036	Fresh crustaceans	70	Thailand (12) Indonesia (7) Canada (6)	India (6) Ecuador (6)
9	71	245	Fuel wood and charcoal	41	Latvia (15) Indonesia (10) China (10)	France (6) Poland (5)
10	72	034	Fresh fish	37	Norway (13) United States (7) Denmark (5)	China (5) Taiwan Prov. Of China (5) Chile (5)
11	81	269	Waste of textile fabrics	16	United States (22) Germany (15)	United Kingdom (8) Netherlands (8)
12	84	037	Fish preparations	58	Thailand (20) China (10) Denmark (5)	Spain (4) Germany (4)
13	97	112	Alcoholic beverages	10	France (28) United Kingdom (16)	Italy (10) Spain (6)
14	101	054	Fresh vegetables	31	Netherlands (15) Spain (12) United States (9)	Mexico (9) Italy (7)
15	102	091	Margarine and shortening	25	Germany (16) Netherlands (11)	Belgium/Luxembourg (11) United States (7)
16	106	292	Crude vegetable materials	25	Netherlands (31) United States (7) Germany (5)	Italy (5) Denmark (5)
17	109	431	Processed animal and vegetable fats	48	Malaysia (25) Netherlands (12) Germany (10)	Indonesia (10) United States (6)
18	110	058	Fruit preparations	37	Brazil (11) United States (9) Germany (7)	Belgium/Luxembourg (6) Italy (6)
19	122	014	Meat preparations	23	Denmark (10) Belgium/Luxembourg (10)	United States (9) France (9)
20	123	024	Cheese and curd	2	France (19) Netherlands (18)	Germany (15) Denmark (9)

Source: See table 1.1.

Note: See UNCTAD, Handbook of Statistics (table 4.4) for the main exporters of these products within the groups of developing countries.

a Products groups ranked by growth in export value, 1980-1998.

b Bold characters indicate high-value products and/or items with an income elasticity of demand greater than one.

TABLE 23. AGRICULTURAL TRADE, US \$ AT CURRENT PRICES (MILLIONS)

Country	Flow	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Bangladesh	Exports	340	387	446	432	442	452	386	426	464	695	414	571
Bangladesh	Imports	731	785	1124	1328	1505	1442	2215	1923	1852	1838	2108	2364
China	Exports	11852	14806	14997	14944	15732	14314	14209	16384	16626	18796	22158	24121
China	Imports	6224	10173	16099	15300	14633	12610	13853	19544	20125	21848	30482	42279
India	Exports	4167	4399	6322	7040	6863	6235	5835	6401	6265	7025	7935	8694
India	Imports	1509	2944	3003	3034	3562	4632	4862	3900	4823	5069	6426	7265
Indonesia	Exports	5515	7047	8197	8477	8548	7706	7544	7764	7024	9020	9942	12366
Indonesia	Imports	3309	4285	6103	6976	5656	4704	5476	5727	5350	5269	5438	6638
Korea, Republic of	Exports	3146	3667	4448	4402	4495	4022	4228	4298	3948	3924	4324	4984
Korea, Republic of	Imports	10339	11731	14727	15685	14013	9306	11084	12837	12504	13543	14421	16036
Mongolia	Exports				127	129	125	132	148	112	84	77	
Mongolia	Imports				67	81	83	63	106	117		120	
Philippines	Exports	1916	2039	2457	2292	2299	2201	1778	2026	1958	1980	2385	2569
Philippines	Imports	1887	2332	2979	3502	3557	3199	3219	3104	3087	3023	3158	3441
Thailand	Exports	9587	11582	13911	14017	13021	11523	11762	12242	12057	12021	15081	16266
Thailand	Imports	4089	4634	5575	5608	4960	3724	3962	4473	4826	5085	5719	6433
United States	Exports	61806	67327	80521	81979	77306	69883	65941	71408	70017	68757	76244	79567
United States	Imports	44197	48726	53119	56929	61868	62431	66138	69115	68400	71515	77273	88112

Source: WTO

combination of shrinking production and losing exports is the developing countries' increasing dependence on food imports. National economies have increasingly become net importers of food and agricultural products since they have purchased increasingly from commercial sources and lost access to food and agricultural products at concessional prices due to the phase-out of public stockholding. According to the FAO, which surveyed 14 developing countries, the average annual value of food imports in 1995-1998 exceeded the 1990-1994 level in all 14 countries, ranging from 30% in Senegal to 168% in India. Moreover, the food import bill more than doubled for India and Brazil and increased by 50-100% for Bangladesh, Morocco, Pakistan, Peru and Thailand.<sup>51</sup>

Prior to the AoA, food security for the developing countries was achieved through local production since only 10% of global food production was traded. But due to aggressive trade liberalisation despite the lack of genuine agricultural development, from a food surplus of USD1 billion in the 1980s, developing countries currently incur USD11 billion deficit and this is expected to grow to USD50 billion in 2030.<sup>52</sup>

The rising dependence on food imports is happening in the midst of declining export revenues, which poses serious threats to food security. Thus, the usual argument that poor countries should focus on exporting to raise foreign exchange earnings to enable them to buy the food they need from world markets is not happening. On the contrary, poor countries are fast becoming net importers not only of food but also of other commodities as well, leading to unprecedented national bankruptcies.

oriented and focus on export winners, sometimes even at the expense of food production, in order to pay for the increasing imports. But according to the FAO, as many as 43 developing countries depend on only one commodity for more than 20% of their total exports revenues.<sup>50</sup>

One of the serious implications of the

In reality, the AoA has eroded traditional Asian agriculture. The shift from subsistence farming to a market and wage economy through trade liberalisation has marginalised the majority – the farmers – and left the people less able to afford food due to declining incomes and loss of livelihood. Withdrawal of government support

renders the final blow to the farmers and consumers, who after having been attacked by dumping are without subsidies and price and production support mechanisms to continue operating the supply-consumption network.

Because of the imbalances in subsidies and AMS, governments have lost the flexibility to balance out between tariff levels on certain products and ensuring that sensitive areas such as food deficits continue to receive support. In addition, governments, through various loan conditionalities by the World Bank and the Asian Development Bank, are made to privatise and deregulate their functions in agriculture in tune with trade liberalisation introduced by the AoA.

Third World governments had traditionally played a significant role in food distribution by intervening in marketing, subsidising prices that benefited both farmers and consumers. This would typically be rice in Asia, but was clipped under the SAPs and made illegal under the WTO.

Depressed global prices, on the other hand, have not benefited importing consumers. Public trading is being cut and transparency in the market is being reduced as a result. Now the major grain holders for instance are the trading companies themselves, which can control supply and price information and gain immensely from speculation and monopoly pricing. This goes against public interest of predicting food shortages and price fluctuations for the sake of producers and consumers.

In the end, it is the TNCs that benefit immensely from agricultural trade liberalisation. Subsidy and tariff regimes that rich countries have continued using may have cushioned their local producers and processors, but in the end the gainers in the whole process are the TNCs that conduct trade and enjoy massive price advantages over producers and processors not only in their home countries but also in poor countries. Since the WTO, these TNCs have tremendously increased their scopes and sizes, increasing their exports despite inefficient farms, dominated the market, and in the process restricted poor countries from implementing national policies of food self-sufficiency.

The AoA, having institutionalised dumping, has only frustrated the hopes of developing countries for wider market access. On the other hand, continued protectionism on the part of the rich countries has had damaging effects on local communities and rural producers in poor countries. The reality is market-oriented agricultural trading

system and industrial and commercial agriculture has eroded the production system of the subsistence farmers, threatened food security, and increased poverty and hunger, all for the benefit of huge transnational agribusinesses of the developed countries.

The buzzword amongst NGOs nowadays, especially with the impasse in the WTO negotiations, is taking advantage of this 'policy space' to introduce reforms and correct the imbalances in the AoA. But obviously after more than a decade, this framework of how global trade should be analysed is not working. The issue is not simply an 'uneveled playing field' or 'imbalanced agreement' that can be resolved by introducing concessions and reforms. The main issue of colonial trade is that the players themselves are grossly uneven.

Paradigms of trade and agriculture are not the same for all countries. In many backward and largely agrarian countries, agriculture is predominantly subsistence and household. Their capacity is small-scale, productivity is low, and production is inefficient. The WTO exposes this to the attack of the international market and commercial agriculture, thus, distorts the essentially non-commercial relations in subsistence agriculture. This is the backdrop under which the AoA has been imposed.

The other basic issue, which should be obvious by now after decades of globalisation, is the immense role and benefit of the corporation in global trade. The dominant world economic order is in longest recession and most intense crisis and the role of the WTO has been to pass on the crisis to the Third World through globalisation, from which it is the corporation that benefits immensely.

Following these frameworks of analysis, the impasse must be taken as an opportunity to expose the undemocratic character of the WTO and the real corporate interests behind the agreements in order to mobilise the greatest number of sectors around the rejection and delegitimation of the WTO and whatever undemocratic agreements that may follow. ■

# Notes

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## Abbreviations

AMS – Aggregate Measure of Support  
 AoA – Agreement on Agriculture  
 BPPC - Clove Marketing and Buffer Stock Agency  
 BULOG - Badan Urusan Logistik (Indonesian National Food Logistics Agency)  
 CAP – Common Agricultural Policy  
 E.U. – European Union  
 EUR- Euro  
 FAO – Food and Agriculture Organization  
 GATS - General Agreement on Trade in Services  
 GBP- Pound Sterling (United Kingdom Pound)  
 IMF – International Monetary Fund  
 LDCs – Least Developed Countries  
 NAMA – Non-agricultural Market Access  
 MAV - Minimum Access Volume  
 NGOs – Non-governmental Organisations  
 NTBs – Non-tariff Barriers  
 OECD - Organisation for Economic Co-operation and Development  
 PHP- Philippine Peso  
 QRs - Quantitative Restrictions  
 SAP – Structural Adjustment Programme  
 SDT – Special Differential Treatment  
 SP – Special Products  
 SSG - Special Safeguard  
 SSM – Special Safeguard Mechanism  
 THB – Thailand Baht  
 TNCs – Transnational Corporations  
 TRP – Tariff Reform Programme  
 TRQs - Tariff Rate Quotas  
 U.K. – United Kingdom  
 UNCTAD - United Nations Conference on Trade and Development  
 U.S – United States  
 USD – United States Dollar  
 WTO – World Trade Organization

## Definition of Terms

1. Ad valorem - Instead of imposing specific taxes (i.e. specific amount applied to a specific unit of imports, ex. Php 2 per liter of petroleum), or instead of assigning tariffs on goods regardless of quantity and value, tariffs on ad valorem are applied on certain ranges of values (ex. 2% on 100-500 million US dollars worth; 5% on 501 to 1,000 million US dollars, etc.)
2. de minimis - rules permitting exemption from notification for state aid to farmers, fishermen, and processing and marketing companies, below a certain threshold; the total must make up no more than 5% of agricultural production for developed countries and 10% for developing countries.
3. G8 - The Group of eight countries: Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United States.
4. G20 - The Group of 20 countries: Egypt, Nigeria, South Africa, Tanzania and Zimbabwe, China, India, Indonesia, Pakistan, Philippines and Thailand, Argentina, Bolivia, Brazil, Chile, Cuba, Guatemala, Mexico, Paraguay, Uruguay and Venezuela.
5. G33 – The group of 33 countries: Antigua and Barbuda, Barbados, Belize, Benin, Botswana, China, Congo, Cote d'Ivoire, Cuba, Dominican Republic, Grenada, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Republic of Korea, Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia and Zimbabwe.
6. In-quota and out-quota- when tariff reduction does not result in significant market access or when the country opts not to tariffy and retains non-tariff measures, the “minimum access opportunity” is used – this provides that the country must import a certain amount of the product anyway. But when, still, the minimum access is not enough, the WTO has created options by allowing imports at specified quantities and limited

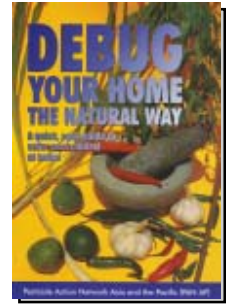
volumes at a second lower tariff lower than the usual tariff rate. The lower tariff rate is referred to as "in-quota"; the quantity of goods imported at this lower tariff rate is called the tariff-rate quotas. Once the quantitative limit is reached, the higher tariff ("out-quota") is applied on subsequent imports.

7. Local content rules - refer to policies that require products should be produced with certain amount of local components. Parts of garments, for instance, may be sourced from China and other countries as long as certain percentage or parts of the finished garment should be sourced locally.

# Other Publications by PAN AP:

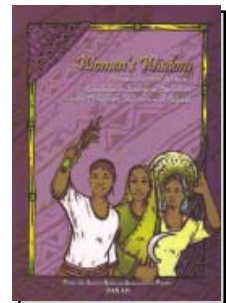
## Debug Your Home The Natural Way

“Debug Your Home the Natural Way” is published by Pesticide Action Network Asia and the Pacific (PAN AP) in collaboration with SOS and ERA Consumer. This handy little book offers simple, non-toxic methods to help keep over 30 household and garden pests at bay. It also provides simple recipes to make natural pest repellents. Containing important information on the health effects of household pesticides, this book is a must-read for all consumers. Start using natural, safer pest control solutions today to protect yourself and your family!



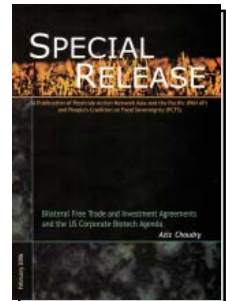
## Women's Wisdom

Through the ages, women have played a crucial role in agriculture and its development, providing food security for millions all over the world. Involved in all aspects of agriculture from sowing to harvesting and seed management, women have developed a vast amount of valuable experience and knowledge. WOMEN'S WISDOM is a testament to the wealth of knowledge of women farmers in Pakistan, Indonesia, and the Philippines. Pilot studies in these countries uncover real life accounts of women's wisdom in sustainable agriculture in these three countries and compare these with the ill effects of the Green Revolution on agriculture.



## Bilateral Free Trade And Investment Agreements And The Us Corporate Biotech Agenda

This special release by PAN AP and PCFS is the first in a series on food sovereignty issues. It focuses on the bilateral free trade and investment agreements between the US and the South describing how such agreements are being used as a conduit for spreading genetically-modified organisms around the world and promoting US agricultural technology and its corporate and geopolitical interests.



## Appetite For Destruction: The Real Issues Behind Bird Flu And Other Outbreaks

In the wake of the fresh avian flu outbreak in Asia, the Middle East and Europe, PAN AP has released a new publication entitled “Appetite for Destruction”.

This book tackles the overwhelming threat of zoonoses (diseases that can spread from animals to humans) such as the avian flu, Nipah virus and mad cow disease (BSE). The book identifies unsustainable animal farming practices, the over-use of chemicals and antibiotics, pollution, dwindling biodiversity, and neoliberal globalization in Asia as the main contributing factors in the emergence and unprecedented spread of these diseases. Scientists are especially concerned over the risk of zoonotic influenza viruses becoming transmittable between humans.

