AN ANALYSIS ON THE AGREEMENT ON AGRICULTURE

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ABSTRACT

Agriculture has been one of the WTO's (World Trade Organization) core disciplines in recent years, particularly for developing nations. This development has been influenced by two key factors. First, the type of gains that developing nations anticipated from the introduction of WTO discipline through the Agreement on Agriculture (AOA) have mainly remained unrealized. Second, a few important areas of the AOA that were to be thoroughly evaluated as part of the WTO's built-in agenda have exposed the members' competing interests that have surfaced during the previous seven years. To eliminate domestic support systems that harmed agricultural commerce and favoured inefficient farmers while discriminating against more productive ones, the AoA was created a fundamental component of the WTO. Thus, the agreement was designed to support established, low-cost agricultural producers while discouraging financially strong ones. Domestic support, export subsidies, and market access were the three areas where the AoA sought legally enforceable guarantees. The AoA also included rules to make sure that the most vulnerable least developed and net food importers have access to food grains in the form of grants or other incentives. The outcomes of the GATT's Uruguay Round discussions in the agriculture sector were predicted to significantly improve the welfare of a number of developing nations, according to a number of earlier studies. Finally, this research paper raises certain points regarding the loopholes that make the AOA less effective in developing countries and also certain implication to eradicate those loopholes.

INTRODUCTION

A World Trade Organisation deal called the Agreement on Agriculture (AoA) aims to cut back on the agricultural subsidies and assistance that nations provide to local farmers. Among the WTO's agreements, it is one of the most contentious.[1] You may read all about the WTO Agreement on Agriculture in this page, learn about how it will affect India, and discover how developed nations have been able to benefit from the WTO system. For the economy and agricultural sections of the UPSC test, this subject is crucial. The General Agreement on Tariffs and Trade (GATT) Uruguay Round was used to create the Agreement on Agriculture (AoA), a WTO pact that was finally approved in 1994 in Marrakesh, Morocco. In 1995, the AoA went into effect.

- Its rules required developing nations to finish their reduction pledges by 2000 and developing nations by 2004.
- It was not necessary to reduce anything for the Least Developed Nations.
- Agriculture-related goods are included by the Agreement, although forestry, fisheries, rubber, sisal, jute, coir, and abaca products are not included.
- The reduction of so-called "trade-distorting" agricultural subsidies is the main goal of the AoA.
- The ultimate goal of the Agreement, according to the WTO, is "to establish a fairer trading system that will increase market access and improve the livelihoods of farmers around the world. "

Features: Agreement on Agriculture - The articles of the WTO Agreement on Agriculture primarily address the three broad areas of trade and agricultural policy that are covered here-

Market Access[2] - Agriculture markets saw a significant transformation as a result of the Uruguay Round and the Agriculture Agreement. Trade flows have previously been hampered

[1] Agreement on Agriculture, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, Legal Instruments—Results of the Uruguay Round vol. 31, 1867 U. N. T. S. 3.

[2] Agreement on Agriculture, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, Legal Instruments—Results of the Uruguay Round vol. 31, 1867 U.N.T.S. 3; see also Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994)

by a variety of rules and limitations, or so-called nontariff measures, in addition to tariffs.

The agreements on Sanitary and Phytosanitary Measures and Technical Barriers to Trade presently regulate certain, such as requirements for food safety, animal and plant health, and other objectives**.**

The Agriculture Agreement addresses other non-tariff barriers (discussed in greater detail in another section below), particularly one group: quantitative restrictions, which limit the quantities that can be imported through various forms of quotas or outright import bans — known as "quantitative restrictions. " They have been superseded with tariff-only protection. Furthermore, tariffs must be within legally mandated limits.

In numerous ways, the move boosted agricultural investment, production, and commerce. For starters, with the emphasis on tariffs, market access became more open, predictable, and competitive.

Second, the move enhanced linkages between national and international agricultural markets, allowing scarce resources to be redistributed to more productive industries.

Second, the modification improved connections between the domestic and international agricultural markets, which helped transfer limited resources to tasks where they were most productive. Although it did not invent tariff-only protection for specific agricultural products, the Uruguay Round significantly strengthened it. Many products were already subject to tariffs between nations, and many of those nations also made commitments to keep those tariffs within "bindings"—legally-binding price caps. Prior to the Uruguay Round, these ceilings applied to 35% of agricultural goods (specified at a finer level by "tariff lines"). All nations have now legally bonded their tariffs on all agricultural goods and described them in WTO schedules, making this more comprehensive and uniform.

Countries have to cope with the numerous items whose access to markets was constrained by quotas and import restrictions in order to do this. Major agricultural goods from the temperate zone were frequently protected by the limits, but so were others. The discussions known as the Uruguay Round tried to remove these limitations. The method that was decided upon was "tariffication"—replacing non-tariff obstacles on agricultural products with tariffs that provided a similar degree of protection. As a result, tariffs on around a fifth of all agricultural products replaced other types of trade barriers in industrialised nations. The percentage for poorer nations was significantly lower. The upshot is that, unlike in other industries, practically all agricultural items traded internationally now have tariff restrictions that are legally enforceable in the WTO. The Agriculture Agreement forbids all quotas and import prohibitions on agricultural products.

Domestic Support[3] - The guidelines for domestic government assistance for agriculture under the Uruguay Round's agricultural package underwent a significant modification. Like many WTO agreements, it finds a balance between several goals. One is to tighten controls and scale down domestic assistance, especially when commerce is "distorted"—when prices are artificially inflated or dropped or when output is boosted. The other is to give governments plenty of leeway to adjust to the various conditions in their agricultural sectors. The agreed-upon strategy also seeks to prevent domestic agricultural support policies from undermining the nations' commitments to market access and export subsidies.

All domestic support for farmers is subject to regulations under the Agriculture Agreement. Conceptually, domestic support may be divided into two fundamental types depending on whether or not commerce is "distorted" (when prices, supply, or output deviate from their typical market levels):

1. assistance that either doesn't or just somewhat stifles trade distortion. Since there are no restrictions, this support is known as "Green Box" support. It includes actions like publicly financed agricultural training or research).

2. assistance that distorts commerce, such the government investing at a guaranteed price. Because it is constrained, the majority of this support is known as "Amber Box" support (the term "amber" or "yellow" comes from the colour used to indicate "slow down" on traffic lights). The sections below explain variations.

3. With a few exceptions, every WTO member has added commitments to its lists of obligations (their "schedules") that they will decrease or limit Amber Box assistance.

[3] Agreement on Agriculture, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, Legal Instruments—Results of the Uruguay Round vol. 31, 1867 U. N. T. S. 3; see also Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994).

The Green Box[4] - There are no restrictions for "Green Box" assistance, which also implies there are no "reduction commitments" (again, the colour is derived from "go" on traffic lights). Direct payments and government service projects are its two main divisions. The requirements, either general or particular, are listed in Annex 2 of the Agriculture Agreement. The measures must generally not or only marginally distort commerce or production. When a government forgoes revenue, they must still be offered through publicly sponsored government activities.

They cannot entail consumer transfers and cannot have the result of boosting producer pricing, according to the 20 WTO Agreements Series. Additionally, developing nations receive special consideration when it comes to government stockholding programmes for food security goals and subsidised food prices for the poor in urban and rural areas. Both wealthy and underdeveloped countries can use The Green Box.

Government service programmes - General services, public stockholding for food security, domestic food aid, direct payments to producers, decoupled income support (i. e. , not linked to current production or prices or to inputs or other factors of production used), government funding in income insurance and income safety-net programmes, relief from natural disasters, and structural adjustment through production are the headings under which specific government programmes are grouped in Annex 2 of the Agriculture Agreement. If the broad requirements are satisfied, such as neither supporting prices or distorting trade, together with the requirements for each particular sort of policy, each of them falls within the Green Box.

General services are further broken down into the following categories -

General research on products, the environment, or both,

1. initiatives to prevent pests and illnesses, both generally and for those connected to particular items,
2. agricultural advice services, extension programmes, and training,
3. inspection services, such as general inspection services and product-specific

[4] Agreement on Agriculture, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, Legal Instruments—Results of the Uruguay Round vol. 31, 1867 U. N. T. S. 3; see also Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994).

inspections for safety, health, grading, or standardisation.

4. Services for marketing and advertising

5. Infrastructure services, such as water supply, markets and ports, power, roads and other modes of transportation, and other.

The Bali Ministerial Decision on General Services increased the scope of the list of general services by include a number of initiatives that were seen to be particularly crucial for developing nations in terms of rural development, food security, and poverty reduction. These land-related schemes and rural livelihood initiatives are all given a clearer "go-ahead" to proceed.

Other exempt measures - There is also no upper limit on the amount of support that is permitted beyond the Green Box; this support is free from "reduction commitments" under the Agriculture Agreement (Article 6), in WTO parlance. One is for the advancement of emerging nations. Another includes making direct compensation in cases of low productivity. Finally, conceptually low levels of support (de minimis) are capped without having to be scaled back.

Developmental measures - [5]These include investment subsidies typically available to agriculture, agricultural input subsidies typically available to low-income or resourcepoor producers, and domestic support to producers to encourage diversification away from illicit narcotic crops. These are direct or indirect assistance programmes intended to promote agricultural and rural development.

Blue Box - Support from Amber Box encourages overproduction, which distorts commerce. The "Blue Box" measures' manufacturing restrictions help to lessen the damage. If payments are given on defined areas, fixed yields, or a fixed quantity of cattle, they are permitted without restriction (and are not subject to "reduction commitments")The payments also meet the criteria if they are made on 85% of the production or less within a specified base period. As opposed to payments that are decoupled from production and those that are directly related to current production, which are covered by the Green Box and the Amber Box, respectively, Blue Box direct payments fall somewhere in the middle in terms of their potential to distort trade. This

[5] Agreement on Agriculture, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, Legal Instruments—Results of the Uruguay Round vol. 31, 1867 U. N. T. S. 3; see also Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994).

is because production is constrained overall and the actual payments have no direct connection to current production.

De minimis: [6]There are no restrictions on the use of Green Box, Blue Box, or the aforementioned development assistance. There must be restrictions on all other domestic agriculture subsidies. It usually required market price support, direct production subsidies, input subsidies, or other similar measures, therefore it had to be reduced as part of "reduction commitments" as well.

However, even if it distorts trade, all countries are permitted to have a small amount of support ("de minimis") as long as it doesn't exceed a certain percentage of value creation. This proportion is "product-specific" and pertains to each agricultural product. When a service is "non-product-specific" and available to all goods, it also covers all of agriculture. With a few exceptions, the percentage for developing nations is typically 10% and for rich countries usually 5%. De minimis payments are therefore subject to a cap, which may increase in accordance with rising agricultural production values and decrease in line with falling values.

Special and Differential Treatment (SDT) –

- In addition to the three boxes, there is additional box of subsidies that grant developing nations and LDCs preferential and differentiated treatment.

  Additionally known as the Development Box.

- According to this, nations are allowed to provide untargeted subsidies for food distribution in order to meet the needs of the impoverished in both urban and rural areas.

- These also include sales from and purchases for food security stocks made at administered prices, provided that the Aggregate Measure of Support (AMS) calculation takes producer subsidies into account.

- For 10 years, industrialised nations may receive an SDT exemption from

[6] Agreement on Agriculture, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, Legal Instruments—Results of the Uruguay Round vol. 31, 1867 U. N. T. S. 3; see also Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994).

carrying out their AoA reduction pledges.

- At the AoA, LDCs are not currently required to make any sort of reduction commitment.
- Developed countries are not provided with the SDT.

Export Subsidies[7] - A side from the high level of domestic subsidies, the widespread use of export subsidies may be the factor that has the most negative effects on the world's agricultural markets. The WTO forbids export subsidies in all other industries, making agriculture the only industry that allows them. Export subsidies produce inefficiencies and excessive costs that are paid by the citizens and taxpayers of the subsidising nation. Countries that don't subsidise their exports are impacted both directly and indirectly. Export subsidies typically increase an exporter's market share at the expense of others. They also tend to lower and increase the volatility of world market prices because decisions about the level of export subsidies can be made at any time, leading to erratic changes in the quantity and cost of the exported good.

AoA stipulated that both the quantity of export subsidies and the quantities receiving export subsidies be lowered during the implementation term. Despite the fact that most WTO members reduced export subsidies after the Uruguay Round, their continued presence caused market distortions. Table 2 depicts the export subsidies widespread in OECD nations. The Table shows that the European Union is the most frequent consumer of export subsidies.

Export credit, which has a comparable distortionary impact, is not punished under the AoA. Export credit programmes were not officially specified as subsidies subject to reduction pledges in the Uruguay Round agreement, but were accorded a unique status exempting them from such responsibilities. Although it was not explicitly stated, it was agreed that the export credit talks would continue in the OECD and that an agreement limiting export credit conditions and terms, as well as the length of credit extension, would be negotiated. Despite modest progress in the OECD on export credit discipline, no agreement has been reached too far.

[7] Mark W. Janis et al. , International Trade and Investment: Regulating International Business 338 (4th ed. 2018)

Data reveal that the usage of export credit for agricultural products has increased after the end of the Uruguay Round. 5 Export loan utilisation in OECD nations climbed from US $5. 5 billion in 1995 to US $ 7. 9 billion in 1998. The United States accounts for around 46% of total export credit, while Australia and the European Union contribute for 25% and 16%, respectively. In terms of commodities, grains account for more than 30% of total export credit.

Criticism of Agriculture Agreement[8]

The Agreement has come under fire from civil society organisations for weakening tariff safeguards for small farmers, a crucial source of income in poor nations, while enabling affluent countries to keep domestic agricultural subsidies in place.

The categorization of domestic subsidies into trade-distorting subsidies (the "amber box"), which must be lowered, and non-trade-distorting subsidies (the "blue and green boxes"), which escape regulation and can thus be raised, was attacked by NGOs in the Agreement. The amount of money industrialised nations spend from their green boxes has grown as effective agricultural exporters pressure WTO members to cut back on their trade-distorting "amber box" and "blue box" subsidies.

Green box subsidies disrupted commerce, hurting farmers in poor countries and the environment, according to a 2009 book by the International Centre for commerce and Sustainable Development (ICTSD). Some green box payments had a negligible impact on trade and production, whereas others had a big one. The United States supplied $76 billion (more than 90% of overall spending) in green box payments in 2007 according to nations' most recent official disclosures to the WTO, while the European Union reported €48 billion ($91 billion), or almost half of all support, in 2005. Decoupling the EU's huge and expanding green box investment from income support might have a considerable impact on output and trade.

According to Third World Network, "this has enabled the affluent nations to retain or enhance their very high subsidies by transferring from one sort of subsidy to another. . . Because of this, despite the seeming commitment to cut Northern subsidies, the overall amount of subsidies in OECD nations has increased rather than decreased since the Uruguay Round. Martin Khor said

[8] John H. Jackson et al. , Legal Problems of International Economic Relations 949–50 (6th ed. 2013).

that even if "the protection is better disguised, the effect is the same," the green and blue box subsidies can still distort trade.

Countries decided to do away with export subsidies and comparable payments by 2013 at the 2005 WTO summit in Hong Kong. However, Oxfam countered that only 3. 5% of the EU's total agricultural support comes from export subsidies. The United States eliminated cotton export subsidies, which made up just 10% of total spending. India and China jointly submitted a proposal to the World Trade Organisation (WTO) on July 18, 2017, urging developed countries to end the most trade-distorting type of farm subsidies, known as aggregate measurement of support (AMS) or "Amber Box" support, as a condition for taking other reforms into consideration in domestic help to consensus.

Implications for Developing Countries[9] - Though the AoA brought some discipline to international agricultural trade, as was discussed in the previous section, distortions still exist. Since the AoA contained too many exceptions and loopholes to make these commitments truly binding, the majority of commitments made by developed countries did not prove to be effective. Due to the flexibility the AoA offers, the majority of industrialised nations have been able to achieve their WTO obligations without making any significant changes to their agriculture locality.

The developing nations are most harmed by the resulting agricultural trade imbalances. The persistent drop in commodity prices has a negative impact on the export revenues of developing nations' agricultural exporters. For nations that rely on exports of agricultural products to generate foreign cash, this issue is particularly acute. For items that the majority of poor countries are interested in exporting, there are still considerable impediments to market access in the majority of wealthy nations. The benefits of value addition are effectively denied to developing nations by tariff peaks and escalations, which force them to remain primary commodity exporters and essentially bind them to the bottom of the profit chain.

However, in most developing nations, cheap and subsidised imports from developed nations can pose challenges for domestic agricultural producers and result in a sharp decline in farm income. The fluctuation of commodities prices internationally also adds uncertainty components to domestic markets. It should be noted that the special safeguard (SSG) clauses

[9] Mark W. Janis et al. , International Trade and Investment: Regulating International Business 338 (4th ed. 2018).

of the AoA, which permit applying protectionist measures in the case of an import surge, are not known to the majority of developing nations.

It should be noted, nevertheless, that developing nations, particularly those that export agricultural products, stand to benefit much from greater and genuine liberalisation of agricultural trade. The industrialised nations have so far benefitted from all of the challenges with the AOA's implementation. The AoA might benefit emerging nations as well, if these problems can be handled. According to a recentresearch by ABARE, developing nations would earn $14 billion even with a 50% drop in the overall domestic support provided by wealthy countries.

In AoA, negotiations are currently in their second stage. Under Article 20, which obliged members to begin talks on extending the reform process by the end of 1999, these conversations are being held. During this second phase, developing nations have another opportunity to push for a trading policy that is more liberalised and less unfair. It is crucial that the developing nations in this round of discussions make their voices heard and succeed in closing the gaps in the current accord. The work is not simple, though. The emerging nations are a dispersed group with potentially competing interests.

For instance, [10]high tariff price in rich country marketplaces aid nations with preferential tariff arrangements in these nations in fending off competition from additional emerging nations. Because of this, it is in their best interests that industrialised nations continue to retain strong levels of domestic protection. By granting duty-free access to its market to the least developed nations, the EU has added to the complexity of the issue. Similar to this, countries that import more food than they export do so because it helps them save money. But the majority of these factors are of a transient nature. It is important for developing nations to realise that they will ultimately benefit from a free and just system of agricultural commerce.

The difficulties of food security and rural development are another area that is equally or even more crucial for emerging nations. The UR AoA did not adequately address these challenges because its primary objective was to improve agriculture in developed countries. Food costs are expected to rise if any significant trade liberalisation occurs in agriculture. To combat this

[10] Mark W. Janis et al. , International Trade and Investment: Regulating International Business 338 (4th ed. 2018).

rise in food prices, emerging nations, in particular those that import food, must be granted specific rights. This was acknowledged by the UR AoA as well. AOA's Article 16. 1 states:

"Developed country Members shall take such actions as are provided for in the Decision on Measures Concerning the Potential Negative Effects of the Reform Programme on Least developed and Net Food-Importing Developing Countries. "

This order proved to be completely unsuccessful in terms of delivering help to the affected nations. AOA does not specify any requirements in this article, instead referring to it as a 'best effort' provision. Instead of terms like this, poor nations should demand clear promises in the next round. It should also be acknowledged that developing nations are at a distinct stage of economic development and have a restricted potential to integrate into the global economy.

The following are some of the recommendations for developing countries:

- Agricultural trade imbalances as a result disproportionately harm poorer nations.[11]
- Commodity price declines continue to put negative pressure on the revenues of developing-country agricultural exporters.
- The benefits of value addition are essentially denied to developing nations because to tariff peaks and escalations that effectively tie them to the bottom of the value chain and force them to stay as primary commodity exporters.
- For indigenous agricultural producers in the majority of developing nations, cheap and subsidised imports from wealthy nations can be problematic and can result in a sharp decrease in farm revenue.
- A meaningful and further liberalization of agricultural trade would benefit developing countries, particularly agricultural exporters, notwithstanding these problems.
- It would be beneficial for developing countries, too, if AoA implementation problems could be resolved.

[11] L. M. Nath, "Trade Liberalization and Agriculture in Developing Countries," Journal of Agricultural Economics 50, no. 2 (1999): 149-160.

- In order to counter this increase in food prices, it is necessary to grant special privileges to developing countries, especially food-importing countries, as a result of trade liberalization in agriculture.

CONCLUSION

This Paper tried to provide certain recommendation for the loophole that makes the Agreement on Agriculture less effective in developing countries. Agricultural trade liberalization has been a sensitive subject since the WTO began the work of developing a binding set of rules that the organization's member nations agreed during the GATT's Uruguay Round discussions. The majority of the criticism directed against the Agreement on Agriculture (AOA), which established the basic rules for WTO Members in agriculture, came from developing nations.

India was one of the most vociferous developing countries that pointed out that the AoA had not been implemented in the spirit in which it was agreed.[12]

The AoA had too many flaws that the bigger trading nations exploited, despite the fact that the then-GATT Contracting Parties agreed that the policy distortions in agriculture produced by the subsidy regimes and other border protection measures they had put in place. In this study, we attempted to describe how industrialized nations, particularly the US and EU Member States, have implemented the AoA.

Long-term, WTO Members have worked to protect agricultural markets against market distortions, but developing countries have argued that the AoA should incorporate appropriate instruments to address their critical concerns about food security and livelihood protection.

One may argue that the discussions between developing nations that have dominated most of the previous two years, especially in the G-20 and G-33 forums, can serve as the foundation for a much broader agreement on issues impacting the developing world. To overcome the obstacles they encounter under a global framework that is focused on creating markets for agricultural commodities, the developing and least developed nations must adopt a dual strategy.

[12] L. M. Nath, "Trade Liberalization and Agriculture in Developing Countries," Journal of Agricultural Economics 50, no. 2 (1999): 149-160.