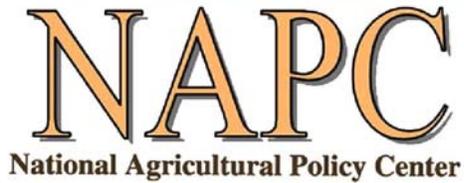


Ministry of Agriculture and Agrarian Reform



POLICY BRIEF NO 30

Positions of Negotiation for Main Players in the WTO

Huda Abass

NAPC Researcher

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Introduction:

The World Trade Organization (WTO) is considered the international organization specialized in issuing multilateral trade laws; the main task of the WTO is to guarantee facilitating greater flow of trade with to establishing prosperous economical world.

WTO decisions are taken unanimously by member states then, it is ratified by countries parliaments. The core of the trade system, called the multilateral trade system, is based on the agreements that have been discussed and signed by most world countries and ratified by the parliament of the countries. These agreements include basic laws and fundamental rules on international trade that guarantee important trading rights for member countries, in the meanwhile, it entails the governments to maintain their trade policies within an acceptable framework that insure benefits for all members.

All disputes are settled in the *dispute settlement body* (DSB) of the WTO, where arbitration is carried out according to the agreements and conventions so that the trade systems and policies in the countries are in consistence with these agreements. This reduces the chance of commercial disputes exacerbate to political or even an armed conflicts.

The world trade system has been developed through a series of trade negotiations or trade rounds which were held under the GATT agreement (general agreement on trade and tariffs).The first round of GATT has basically focused on reducing tariffs, while the following rounds have included other aspects like anti dumping and non tariff procedures. The last round of GATT, which lasted from 1986 to 1994, resulted in signing the agreement that established the WTO. The implementation period for this agreement was set at 10 years (the end of 2004).

The main objective of Uruguay round negotiation concerning agriculture was reforming the distortions in international agricultural trade, and make it consistent with international trade rules in order to reach fair competition among producers and enabling them to access international markets. Market access would be achieved either through eliminating non tariff barrier or reducing tariff. These negotiations haven't stopped at this point, but some of them continued after Uruguay Round.

In 2000, a new negotiation on agriculture and services started, and it was put at the top of Doha Agenda, agreed in the fourth WTO conference which was held in Qatar 2001. Doha' agenda includes more negotiations and procedures about NAMA, trade and environment and WTO rules. The negotiated rules included anti-dumping, support, investment, completion policy ,trade facilities , transparency in government purchases, intellectual property rights, and other issues raised by developing countries such as facing difficulties in implementing current WTO agreements. Doha Round negotiations of the WTO were resumed again in February 2007 after being halted according to the decision of general council of the WTO in July 2006.

The three main difficulties that halted the negotiations were:

- The need to reach higher reduction in the EU agriculture tariff.
- The need to reach higher reduction rate of agricultural support in the USA
- The need to achieve higher reduction rate of industrial tariff in emerging developed countries like Brazil, India and South Africa.

The WTO negotiations faced difficulties because of different viewpoints and different interests particularly between developed countries that support agriculture and developing countries whose agriculture sector plays a vital role in their economies and people employment.

This policy brief discusses negotiations' positions of the USA, E.U and Japan as representatives of developed countries, and the positions of Brazil, India and China as representatives of

developing countries. The paper studies the positions of these countries concerning the agreement on agriculture, and particularly the issue of agricultural protection. The agreement has three main pillars: market access, export subsidies, and domestic support.

1 – Market Access (using tariff barrier only):

Each country is supposed to open its borders for companies and products from other member countries without any limitation of afforded services or any restriction for the way they are offered in. This entails converting non-tariff barriers on goods and commodities into tariff, and liberalizing tariff gradually until full abolishment through periodical negotiations.

The negotiations related to market access of agricultural products are facing difficulties, waiting the European Union and 10 large industrial countries, including Japan and Korea, to make higher reduction in their tariff and offer greater market access. Korea and Japan, which impose strict protection procedures on agricultural sector – especially rice, and which have strong internal opposition on reforming this sector, insist on protecting their farmers from international competition especially in rice sector which is highly protected in the two countries. In the meanwhile, India and the rest of 33 group developing countries have to make a more significant contribution in this respect; accordingly, they do not allow their objective to acquire a special safeguard protection for their goods to confront with the superior objective which is to extend market access opportunities.. China argues that the proposals on the table are not sufficient to protect its farmers from the western competition, and it insists on maintaining its right in imposing higher tariff to protect its agricultural products.

Cairns group¹, as net food exporting countries, are strongly in favor of reducing protection for producers in industrial countries.

Regarding tariff barrier on industrial goods, main developing countries like G20, which consists of major developing countries such as Brazil, Argentina and India, refused to reduce their tariffs.

As suggested in the automatically reduction system “Switzerland formula”. The mentioned formula imposes high reduction on tariff peaks and less reduction on flatted tariff, accompanied with fair flexibility for some food products.

2 – Domestic Support:

The domestic support is defined as a price support and direct support provided by the government to farmers. These payments encourage production increase and reduce international prices. Thus, they are considered as a trade distortion. In other words, domestic policies that support agriculture and have direct impact on production must be abolished , member countries in WTO have to measure this kind of support offered to agriculture annually according to aggregate measurement of support (AMS).

Many negotiation sessions have been held since 2000 until now. Yet, no agreement on reducing local support has been reached. Moreover, developed countries have started some practices that led to increase domestic support for example, through the USA law of farmer security and rural investment enacted in May 2002, support will increase by about US\$ 82.8 billion in 10 years. Industrial countries are considered to be the most states that offer domestic support. AoA categorizes domestic support policies in three boxes:

- 1- green box : includes non distorting trade support
- 2- amber box :includes all kinds of local trade that are partially connected to trade

¹ Cairns group ;it is combination contain 18 agricultural export country the most important one are Canada Brazil; Australia

3- blue box : includes all kinds of support which distort trade and production.

A wide collection of issues related to agricultural domestic support have been discussed without reaching any agreement about them. Some countries indicate that the increased domestic support rate is distorting trade, and this rate must be categorized and organized. Currently there is an approval on reviewing the imbalance in domestic support between developed and developing countries. Most developing countries are committed to reduce support level to minimum levels, while most developed countries have higher levels of supports categorized in the blue or amber box. Since domestic support which included in the amber box is unacceptable; the EU transferred this kind of support to the blue box. On the other side, there are no limits on green box expenditure (developing countries have the right to apply green box policies, but only few of them have indeed the ability to do this). Upon applying the agreement on agriculture, some farmers' lobbies in the EU, USA and Japan applied pressure on their governments and opposed any reduction on protection offered to their member.

The USA refused to introduce any concession in the domestic support it provides to agricultural products, and insisted on reducing this support not more than 53%. While the EU proposal was to reduce it by 60% and the G20² asked for reduction of 75%. On the contrary, the USA asked the EU to reduce its agricultural tariff by 66%, whereas the EU stated its readiness to reduce its tariff by 51%. The G20 asked for a reduction of 54%.

In 2006, Australia presented a new proposal about agricultural tariff reduction. The proposal suggested a reduction in agricultural tariff of 5% more than what was proposed by the G20, while USA reduces its agricultural tariff by \$5 billion. This proposal was called 5-5 proposal, but it did not have the approval of the EU.

The disagreement between the USA and the EU about agricultural support is still ongoing. The USA and some agriculture producing countries request that the EU and other countries to eliminate their agricultural support. Washington claims that this support leads to unfair competition in agricultural trade, and negatively affects the American farmers. It also forms a barrier to its agricultural exports. The EU defends the subsidy provided to its farmers since the *revenues of agriculture are low*, considering this subsidy as a support to keep farmers in their lands. As for poor countries, they hope to increase their exports to the US in case the latter reduces government support provided to its farmers, which will make poor countries exports more competitive in the American market.

Japan supports the EU position because it deems that agricultural support may go beyond trade objectives since some countries provide agricultural support for non trade objectives, such as preventing intra emigration. The EU showed flexibility in this aspect during Doha round, requesting a gradual reduction for agricultural subsidy through a comprehensive agreement with the USA, Japan and the G15³. Moreover, the EU argues that the USA doesn't have the right to consider this support hindering international trade, and they insist that the USA is offering indirect farm support estimated at 11000\$ per farmer annually, while EU farmer receives \$5400 annually.

Presently, there is a kind of bargaining between several countries to maximizing their gains. Brazil shows stiffness when discussing the industrial and services sectors and offering liberalization's concessions. Brazil sets a condition before its participation in negotiating services and industry liberalization that developed countries especially USA and EU have to set a deadline for abolishing agricultural support and suggests the year 2010 as a suitable time for that negotiations on liberalizing industry and services trade can be started. India declared that it is ready to double its pace in liberalizing services and industry sectors in case the US and the EU give a definite date for agricultural trade liberalization. Developing countries argue that the US

² 20 Group: contain Argentina, Bolivia ,Brazil ,Chile ,China , Colombia , Costa Rica ,Cuba, Egypt ,Ecuador , Guatemala , India, Indonesia ,Mexico, Nigeria , Pakistan, Paraguay ,Peru , Philippines, south Africa ,Thailand,

farm support distorts markets, and this makes it difficult for developing countries to get fair prices for its goods. Biter Mendelsohn, the EU trade commissioner, blamed the US for not showing flexibility in market access as the EU did.

3. Export Support:

This type of agricultural protection is considered as the most distorting type. This entails that developed countries is committed to reduce its export value. Doha declaration included a text about reducing export support gradually as a first step to eliminate it. However the declaration didn't set any timetable for such elimination.

EU, USA, Australia and Canada are the most countries that have agricultural exports subsidy and the most subsidized products are wheat, beef, and dairy products.

Hong Kong ministerial conference (December 2005) succeeded in reaching specific decisions on some negotiations' rules and specified dates to reach an agreement on details. Regarding agriculture, there was an agreement on a gradual and complete elimination to agricultural export support by the end of 2013 with a crucial reduction of export support in the first half of the period of support elimination.

EU announced that it is ready to negotiate on this date after a long period of refusing commitment to any timetable. Most countries especially USA and emerging Countries in 20 group demanded a specific date to stop agricultural support in 2010, but eventually these countries agreed on the suggested period. EU also asked to impose restrictions on other type of agricultural support such as export credit and food aid provided by USA to poor countries.

Regarding non agricultural products, Hong Kong' declaration has ratified Switzerland formula (which is one of suggested formulas to reduce tariff on non agricultural products). The declaration demanded intensive efforts to end identifying negotiations rules and asked member states to apply timetable drafts for liberalizing non agricultural products based on negotiations rules.

Reaching a successful agreement on world trade means cheaper processed products prices for consumers in the world and expanding trade area for companies as well. Approaching the end of suggested period to reach an agreement under WTO, disputes are still fierce among EU and USA and other trade countries about the way to reduce trade barriers. This strengthens concerns over Doha round' failure. The EU believes that USA must reduce the ceiling of its demands of comprehensive reductions on tariffs on agricultural commodities because USA demands would make agriculture face difficulties in Europe and damage poor countries too. In addition, there are demands that large developing countries such as Brazil and India should make fundamental reductions on their tariff rather than only reducing tariff ceilings they impose on industrial products like cars and chemicals which have a special interest to the EU

Syria and World Trade Organization (WTO):

In 22-10-2001 Syrian Arab Republic formally applied for WTO membership, and in 29-1-2004 the application was affirmed, but these applications haven't been considered in WTO conference timetables. In fact Syrian WTO accession requires some economic reforms that would protect Syrian economy from undesirable economic effects which is likely to take place when market is opened as a WTO condition for Syrian WTO membership.

Until the mid-eighties of the last century the Syrian economy has been centrally planned and closed. The government then started implementing an economic reform program aimed at gradual trade liberalization via several actions included the simplification and facilitation of procedures and elimination of non tariff trade barriers. Trade was also liberalized in the context of free trade agreements.

Market Access:

Currently, Syria makes significant surplus in producing grain, legume, vegetables, fruits, cotton and sheep. These surpluses are exported mainly to Arab countries, except of cotton, which is exported internationally. If Syria joins the WTO it will be treated as the most favored nation (MFN) when it export to the WTO member countries. That means, exports will be subject to tariff restrictions only, after adjusting Syrian tariff through out negotiation' agreement with commercial partners and converting quantity barriers to tariff. And thus, Syrian agricultural exports are expected to increase to these countries when treated as the most favored nation. On the other hand, developed countries apply high tariff on their agricultural products imports which estimated about 40% in average in organization economic cooperation development (OECD) countries, and more than 300% for some imported agricultural goods that developing countries are interested to export. Therefore, it is expected that access of agricultural Syrian products to these countries will be subject to some considerations that differ from exports to other countries, and Syrian exports are expected to increase to all countries except for some goods that have high tariff imposed by developed counties. Furthermore, Syrian exports to China, Brazil, Australia would be better when Syria liberalized its agricultural trade, and since Syria, as an agricultural exporting country, attempts to expand its agricultural exports.

Domestic Support:

Price support in Syria is applied for tobacco, wheat, cotton and sugar beet. However, this doesn't comply with the WTO rules, as market prices support is considered under amber box policy if it exceeds 10% of production value. The USA and EU defends their agriculture support. but they shift such support to an acceptable form of support in WTO. This would be convenience for Syria which is planning to redistribute its support benefiting form these countries in apply their experience since it conforms to the Syrian economic and social characteristics.

Syrian Exports Support:

Exported Syrian strategic crops which their domestic prices are higher than international prices receive an export subsidy.. Therefore, money which governmental companies pay when exporting some products like cotton is considered as exordial support,. And it is expected that Syria will be requested to reduce or eliminate it. Consequently, agricultural support policies applied in Syria would be modified in order to be consistent with the WTO regulations.

It is worth mentioning that there are no restrictions on exports in Syria, except for some commodities that are exclusively exported by the public sector, such as combed and carded cotton, tobacco, and wheat.

The WTO doesn't oppose to the government institutions. but, it demands that these institutions should abide by the WTO rules that bans the monopolistic role of the government in export and import. Therefore, the position of Syria would be the same for several players in this respect. In fact, given that Hong Kong declaration unanimously abolished export subsidy (including agricultural'), there are no longer big differences among positions in this issue, and therefore, Syrian' position will correspond with the general orientation in WTO and with the positions of major members. and thus, Syria will not face difficulties in this issue . Actually, Syria is aware of the positions of major WTO member countries and intend to choose the best approach, and to support and take advantage of the positions of countries that share the same interests with Syria.

Conclusion:

Syria aware that continue to be outward the international trade system represented by the (WTO), this will have negative impact on its trade given that many countries have joined the WTO will affect negatively its trade by being semi isolated from member countries. In the other hand, joining the WTO corresponds with the current Syrian economic policy after adopting social market economy and being member in Great Arab Free Trade Area(GAFTA) and signing

an association agreement with EU , in addition to the agreement of Free Trade Area with Turkey which establish for free trade between the two countries.

Furthermore, Syrian delay in the accession to the WTO might not exempt it from commitments to be made for WTO members in agricultural field or other fields. In addition, Syria will lose many expected advantages that can be reaped when joining the WTO beside gain for Syrian government since, joining WTO will help in reducing domestic subsidy or convert this support to green box. This will contribute in reducing governmental expenditures, taking into considerations that this support may negatively affect production, where subsidy reduction will affect the prices received by Syrian farmers especially in wheat, cotton. However, Syria accession to WTO will also impose financial and administrative charges during the negotiation process.

Accordingly, joining WTO is a need to improve Syrian trade position internationally, which will be a motive to proceed on the ongoing economic reform program and help in shifting to market economy. However, regarding customs gains, it is difficult to define accurately the financial impacts of joining WTO until the end of Syrian negotiation with WTO members.

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