



IPAN-RGNUL Policy Review Project 2014

Call for Papers

The WTO and Farm Subsidies: Proposals for a Permanent Solution

International Policy Analysis Network, Asia's first youth-led public policy think tank initiated an annual policy research project in association with the *School of Agriculture Law and Economics (SALE)*, Rajiv Gandhi National University of Law, India in the year 2012. This project aims to address specific policy concerns through working papers, discussion papers or other academic engagements.

This is the second edition of this series in the form of a policy review project. The research theme for 2014 edition is "*The WTO and Farm Subsidies: Proposals for a Permanent Solution*". Students, academicians and researchers are invited to submit papers. **Foreign contributors** are especially encouraged to submit their contributions which discuss their own country's perspective on the issue of farm subsidies.

The last date for paper submission is 1st May 2014. This series for 2013-2014 will culminate with a book release by August, 2014. Next edition of the series with a new call for papers will be issued in late October, 2014.

Contributions selected by a peer review panel will be notified about their prospective presentation/publication by 15 June 2014.

The **IPAN-RGNUL Policy Review Series** is intended to:

- Present high quality research and writing (including research in-progress) to a wide audience of academics, policy-makers and commercial/media organizations.
- Set the agenda in the broad field of public policy and sustainable development.
- Stimulate and inform debate and policy, especially amongst youth.

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The Editorial Board is comprised of RGNUL academics and IPAN experts with a wide range of expertise in public policy and economic research. They come from a variety of disciplinary perspectives including economics, geography, law, politics, sociology, cultural, gender and development studies.

Submission Guidelines

Contributors are encouraged to submit papers that propose well researched, concrete, practical and well established solutions to the problem. Specific and micro case studies are specifically encouraged.

The deadline for submissions is 1st May, 2014.

Papers should conform to the following format:

- 2000-5000 words (excluding bibliography, including footnotes).
- 150-200 word abstract.
- Headings and sub-headings are encouraged.
- Bluebook Method of Citation should be strictly adhered to.
- Papers should be prepared as a PC compatible Microsoft Word (2003 or 2007) file.
- Graphs, pictures and tables should be included as appropriate in the same file as the paper.

The paper should be sent by email to:

(With the subject line as “SUBMISSION_FARM SUBSIDIES”)

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For regular updates on this series and other IPAN initiatives:

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BACKGROUND NOTE

INTRODUCTION: DOHA ROUND OF NEGOTIATIONS

1. What Is Doha Agenda?

Doha Development Agenda, known as Doha Round in common parlance, is the latest and ninth in series of trade negotiations among the WTO member countries. The Round was officially launched at the WTO's Fourth Ministerial Conference in Doha, Qatar,¹ in November, 2001. Doha Round talks are overseen by Trade Negotiations Committee (TNC).² The genesis of Doha Round lies in the notion that the world needs a multilateral trade system that shall to some extent restrain abuse of power by economically powerful players globally.

Inception of Doha Declaration came with prime objective of reforming international trading system by lowering trade barriers and revising trade rules. Doha Declaration provides mandate for:

1. Negotiation on range of subjects
2. Implementation of existing agreements

There are about range of 21 subjects listed in the Doha Declaration and one of the prime areas of negotiation is Agriculture. Although there will be issue-specific negotiating groups, negotiations in all areas will eventually be drawn together and result in a "single undertaking" which means that, in effect, "Nothing is agreed until everything is agreed", to borrow a popular phrase among trade officials.³

The Single Undertaking, in other words, serves the same purpose as Article 1 of the GATT in ensuring that all WTO agreements are applied on a MFN basis. For example, in the case of agriculture, the agreement is far from the demand for an abolition of subsidies with which the Americans began.

¹ The Fourth WTO Ministerial Conference, World Trade Organisation, available at http://www.wto.org/english/thewto_e/minist_e/min01_e/min01_e.htm, Last accessed on 15th August 2013.

² Doha Development Agenda: The Trade Negotiations Committee, World Trade Organisation, available at http://www.wto.org/english/tratop_e/dda_e/tnc_e.htm, Last accessed on 15th August 2013.

³ Paige McClanahan, "Doha round trade talks-explainer", *theguardian*, 3rd September 2012, available at <http://www.theguardian.com/global-development/2012/sep/03/doha-round-trade-talks-explainer>, Last accessed on 16th August 2013.

Imperatively the agreement had to pass minimum established threshold for each country before it was acceptable, but the Single Undertaking made it difficult for any state to evaluate the whole agreement on the basis of one element. In 157 countries are party to Doha Declaration.

2. Doha Rounds from 2001 till 2013 and the Deadlock!

The Doha Round is perceived as an ambitious effort to make globalisation more inclusive and help the world's poor, particularly by slashing barriers and subsidies in farms.⁴ Among all the General Agreement on Trade and Tariff (GATT)/World Trade Organisation (WTO) trade rounds, the Doha Round stole the limelight. Since its launch in November 2001 at Doha, the capital of Qatar, it soared to great heights as well as witnessed unprecedented ebbs, and following the failure of G-60 countries to reach a consensus on key issues of agriculture and industrial goods market access, it seemed to slide towards a permanent deadlock.⁵

After 2001, there were talks in Cancun in 2003 to lead Doha Declaration forward and to forge concrete framework to continue negotiations, but they collapsed just after four days of talks.⁶ There were lot of differences between developed and developing countries as few countries showed no flexibility and hence the deadlock. The talks remained suspended for the remaining whole year. Again after about a year, efforts were made to lead negotiations further in Geneva in 2004 but were not of much avail. The efforts for revival and sustenance of the entire negotiations after Geneva talks resulted into a new Framework Agreement⁷, also called July Package, which was signed in July 2004 and which provided a new basis and broad guidelines for future negotiations under the Doha round.

The only accomplishment made by the multilateral trading system was the launch of a new trade round (first one under the auspices of the WTO) with a very ambitious trade liberalisation agenda intended to meet the developmental needs of the poor countries.⁸ However, the euphoria created at the launch of a new round was short-lived. Soon WTO

⁴ Special Report, "In the twilight of Doha", *The Economist*, 27th July 2006, available at <http://www.economist.com/node/7218551>, Last accessed on 16th August 2013.

⁵ Pradeep S Mehta, Pranav Kumar & Ritu Lodha, 'Suspension of Doha Round Talks Reasons and the Possible After effects', *CUTS International*, 2006, New Delhi, p. 7-13. [hereinafter PRADEEP].

⁶ Special Report, "The Cancun Challenge", *The Economist*, 3rd September 2003, available at <http://www.economist.com/node/2035492>, Last accessed on 16th August 2013.

⁷ Decision adopted by General Council on 1st August 2004, "Doha Work Programme", World Trade Organisation, full text available at http://www.wto.org/english/tratop_e/dda_e/ddadraft_31jul04_e.pdf

⁸ Ibid.

members started faltering on one deadline after another, which culminated in collapse of the Cancun Ministerial Conference in 2003. After the Cancun fiasco, the Doha Round went into a limbo and it took almost a year to infuse a fresh life in this celebrated trade negotiation.

Before the sixth WTO ministerial Conference took place in Hong Kong in 2006, a session of negotiation was also held at Paris in May 2005 so as to ensure that talks at Hong Kong will lead to agreement in negotiating sectors. Trade ministers of various countries around the globe set deadline to eliminate subsidies of agricultural exports by 2013 which boosted the spirits of members. It was the moment when Pascal Lamy, DG, WTO saw a ray of hope and stated, “I now believe it is possible, which I did not a month ago.”⁹

In the end, once again after more than five years of extensive negotiations the differences over farm subsidies proved to be insurmountable and the stern stand of the powerful economies had all but sealed the fate of this Round of trade negotiations.

In 2008, negotiations started at WTO headquarters at Geneva on Doha Round but were stalled after nine days of negotiations. The Issue of Agriculture especially Farm subsidies had become lynchpin of the Doha Agenda for both developing and developed countries. Although USA made positive effort to reduce its farm subsidies, but developing countries like India and Brazil vehemently opposed.¹⁰ Countries like Brazil wanted deeper cuts on part of developed countries especially USA and EU.

Brazil and India were pivotal to the negotiations because the United States and the European Union wanted big developing economies to open up markets in goods industry as well as farm products in return for their Agriculture Reforms.

Finally, 2008 talks were stalled and no solution could be anticipated amongst lot of disagreement and heat. Nine days negotiations ended with disagreement between India and the United States over the so-called special safeguard mechanism (SSM)¹¹. SSM is a measure designed to protect poor farmers by allowing countries to impose a special tariff on certain

⁹Keith Bradsher, “Trade Officials Agree to End Subsidies for Agricultural Exports”, *The Newyork Times*, 19th December 2005, available at http://www.nytimes.com/2005/12/19/business/worldbusiness/19trade.html?_r=0, Last accessed on 17th August 2013.

¹⁰Doug Palmer and William Schomberg, “U.S. Offers farm subsidy cut but is asked for more”, *eEconomista.es*, 22nd July 2008, available at <http://ecodiario.economista.es/noticias/noticias/668858/07/08/US-offers-farm-subsidy-cut-but-is-asked-for-more.html>, Last accessed on 17th August 2013.

¹¹ Glossary Term, *Special Safeguard Mechanism*, available at http://www.wto.org/english/thewto_e/glossary_e/ssm_e.htm, Last accessed on 17th August 2013.

agricultural goods in the event of an import surge or price fall.¹² 18 of the 20 items on the agenda had been agreed upon. The nineteenth item, dealing with the arcane issue of the special safeguard mechanism, a right of developing countries to raise tariff to protect their farmers from an unexpected surge in imports, proved to be the deal-breaker. Ranged against the U.S. were India and China.¹³

This position of the Doha rounds was equated by opinion makers with that of Uruguay round which took twice the scheduled time. Unfortunately, there were several reasons for pessimism. In 1990 the only obstacle to a deal was the deadlock between Brussels and Washington. However, in the current issue, several other big economies, including Brazil, India and China, also needed to be on board. India, in particular, showed remarkably little interest in doing a Doha deal.

The WTO Doha Round of negotiations had been at an impasse since December 2008. Several academics and opinion makers argued that the Doha Round is “dead” and that there was need for new approaches that would lead to credible results.¹⁴ However, the endeavours to find a multilateral solution to discipline the highly distorted international agriculture trade market bumped into the roadblock in the form of serious differences between WTO members on farm trade liberalisation.

THE BALI MINISTERIAL CONFERENCE: MAIN NEGOTIATIONS AND DECISIONS

The Bali conference was another attempt to remove the impasse that was reached during the Doha rounds. This conference held from the 3-7th December, 2013 laid the various issues on the table namely Indian crop stockpiling plan that is exempt from WTO subsidy rules and a challenge to the U.S. economic embargo on Cuba. Turkey also has concerns about new rules on transit, while there is Central American resistance to demands to stop using customs brokers to handle trade.¹⁵ The “Bali Package” was a series of decisions aimed at streamlining

¹²Monika Kathuria, Doha Round of Multilateral Trade Negotiations- Critical Issues in Trade Development pertaining to India, Reserve Bank of India, 24th May 2010, available at <http://www.rbi.org.in/scripts/PublicationReportDetails.aspx?UrlPage=&ID=589>, Last accessed on 17th August 2013.

¹³Agencies, “WTO Talks: missed opportunity financial scene”, *The Hindu*, 11th August 2008, available at <http://www.hindu.com/biz/2008/08/11/stories/2008081151561300.htm>, Last Accessed on 17th August 2013.

¹⁴ Office of the United States Trade Representatives, *WTO Doha Negotiations*, available at <http://www.ustr.gov/trade-agreements/wto-multilateral-affairs/wto-doha-negotiations>, Last accessed on 15 December, 2013 at 2:37 pm.

¹⁵ Moran Zhang, “9th WTO Bali Ministerial Conference 2013: A Final Attempt To Salvage The Doha Round Of World-Trade Talks”, available at <http://www.ibtimes.com/9th-wto-bali-ministerial-conference-2013-final-attempt-salvage-doha-round-world-trade-talks-1486822>, Last accessed on 30th December, 2013 at 4:29pm.

trade, allowing developing countries more options for providing food security, boosting least-developed countries' trade and helping development more generally. It consisted of 10 packages which cover trade facilitation, agriculture, cotton and development in respect to LCD issues. The conference resulted in adoption of a number of routine decisions and accepted Yemen as a new member of the WTO.¹⁶

The package provides flexibility to developing countries on vital food security programme. It allows developing nations to avoid disputes for food security.¹⁷ Even though many news reports called it a further movement on the issue of farm subsidies, it goes no further than the status quo except for the fact that it provides a breather to the countries like India which stockpile food stocks in violation of the Agricultural Agreement that they will not be taken to dispute at the WTO. The Bali Decision on public stockholding calls for negotiation on an agreement for a permanent solution, for the issue of public stockholding for food security purposes for adoption by the 11th Ministerial Conference. Members also agreed to establish a work programme to be undertaken in the Committee on Agriculture to pursue this issue with the aim of making recommendations for a permanent solution. This work programme shall take into account Members' existing and future submissions.¹⁸

There is still no light in the direction of farm subsidies issue and this project is an attempt to propose solutions to this problem

¹⁶ WTO, "Consultations on 'Bali package' begin as Yemen's membership accepted", available at http://www.wto.org/english/news_e/news13_e/mc9sum_04dec13_e.htm, Last accessed on 30th December, 2013 at 5:40 pm

¹⁷ Saurabh, World Trade Organisation adopts Bali package, to move ahead on Doha round, The Indian Express (Dec 7, 2013).

¹⁸ Ministerial Conference, Ninth Session, Bali, 3-6 December 2013- WT/MIN(13)/38 — WT/L/913