Analysis of recent proposals in WTO agricultural negotiations

Media brief
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Introduction

The current world trading system is rigged against the interest of the world's poorest farmers. In spite of higher costs of production, the north captures 85% of agricultural trade while its farm population only represents 8%, according to the OECD. Over the last ten years, drastic agricultural reforms have taken place in most developing countries, with adverse impact on fragile economies and families living in extreme poverty. Average applied tariffs on agricultural products have been reduced by 50%. At the same time, developed countries have kept enormous amounts of subsidies and have not lowered tariffs on their most sensitive sectors in agriculture. The result is that the poor are getting poorer. The Doha Development round was meant to correct these stark imbalances. But OXFAM analysis shows that the round is unlikely to achieve such results.

This analysis is intended to assess the real importance of recent proposals made in the agricultural negotiations at the WTO and assess their likely impact on the development objectives of the Doha Round.

What happened over the last four weeks?

At a mini-Ministerial in Zurich on October 10, the US and EU put forward new agricultural reform proposals covering the three pillars of the negotiations – domestic support, market access and export competition. The G20 group of developing countries reciprocated by submitting its own proposal on market access and domestic support, and the G10 and G33 on market access and special products, respectively. The main details of these proposals are included in table 1 and 4 below.

There has been considerable controversy on whether these proposals are meaningful or not in terms of achieving three key goals of the Doha mandate on agriculture: substantial reductions in trade distorting support, substantial improvements in market access and enhanced Special and Differential Treatment (SDT) for developing countries. OXFAM said at the time that the US and EU proposals on domestic support would only lead to marginal changes in the level of trade-distorting subsidies they currently use. This updated analysis confirms our initial findings.

The focus has now shifted from subsidies to tariffs and negotiations are currently blocked over the question of market access. The US proposal has been lauded as ‘ambitious’ because it proposes steep cuts in tariff levels. However, Oxfam is concerned that it asks for far too much from developing countries in return and risks destroying fledgling agricultural sectors and poor farmers’ livelihoods. It fails to recognize the WTO principle of less than full reciprocity.

On the other hand, the EU market access offer has been pilloried for being too protectionist. Their proposal leaves them a lot of space to protect so called ‘sensitive products’ and would not yield the increases in market access to the north needed to significantly boost trade and reduce poverty. However, the EU proposal is better for development in the sense that it asks for much less from developing countries and recognizes their right to real and meaningful special and differential treatment.

Ironically, both the US and the EU come from the same point (marginal cuts in their current subsidy spending levels) to reach opposite demands: sharp deep access to developing country markets for the US, and the ability to continue protecting its farmers for the EU. But there’s one essential thing in common: their proposals have little to do with a development round and a lot to do with the old vested interests that have impeded real changes in the agricultural trade regime for decades.
Why does it matter for development?

The proposals of the EU and the US will have a negative impact on development. Maintaining high levels of trade-distorting subsidies and high levels of tariffs in developed countries, concentrated in some key products, with payments targeted at large farms, will continue to distort competition on world markets and impede on developing countries’ ability to produce and export products where they have a clear comparative advantage. In return for these limited reforms, the US, and to a lesser extent the EU, are asking for market access opening in developing countries. This means that more farmers will be vulnerable to a flood of dumped products coming from developed countries in their own markets, with adverse consequences on their livelihoods. The US and the EU are also asking for market access opening in developing countries in industrial products and services, with potentially adverse impact on employment in these countries.
Domestic support

Europe and the USA claim to have cut their subsidies over the years but, to date, there has been no substantial reduction, merely a relabelling of existing support. Since the Uruguay Round started in 1986, overall farm support in developed countries has virtually remained the same (more than $250bn per year in real terms, according to the OECD). Despite the lack of reduction in actual levels of support, developed countries benefit from enormous flexibilities within the current Agreement on Agriculture because of the way rules were designed in 1994. Europe, for example, could increase its expenditure on export subsidies for wheat by more than ten times, and still be within the allowable limits.

The current round poses a unique opportunity to reverse this situation. Developing countries are expecting true cuts in the level of agricultural spending of developed countries. Yet, despite the ‘spectacular’ announcements made by Northern negotiators in the last weeks, evidence suggests that the bulk of the cuts will be made on the so called ‘water’ of the boxes (the difference between the bound, or permitted, and the applied, or actual, levels of subsidisation).

What’s on the table?

| Table 1. Domestic support: Highlights of US, EU and G20 proposals on domestic support (by October 19 2005) |
|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| **US**                                           | **EU**                                           | **G20**                                          |
| **Amber box**                                   | Cut Aggregate Measurement of Support (AMS) by 60% for the United States, with product-specific AMS caps based on 1999 – 2001 period. | Cut of AMS by 70%                                |
|                                                  | Three bands and cuts (in US$): Over 25bn, 80% cut; 15-25bn, 70% cut; 0-15bn, 60% cut. S&D: developing countries cut less than 2/3 of the cut to be undertaken by developed countries in the same band. |
| **Blue box**                                    | Cap at 2.5% of the value of agricultural production from the 5% level agreed to in the framework. | No detail, but ready to cut and to introduce product-specific caps. |
|                                                  | Review and clarification of the blue box criteria. |
| **De minimis**                                  | Cut “de minimis” allowances for trade-distorting domestic support by 50%. | Cut of ‘at least’ 65% (i.e. 1.75% of the value of production) |
|                                                  | Cuts in product-specific and non p.-s. According to the level of the overall cut in TDS. Developing countries with no AMS entitlements exempt. Others depend on overall cut. |
| **Overall Cut of Trade Distorting Support (TDS)**| Reduce overall levels of trade-distorting support by 53% for the United States. | Overall reduction based on a three tier reduction approach must reflect the level of ambition on TDS as laid out above. |
|                                                  | Three bands and cuts (in US$): Over 60bn, 80% cut; 10-60bn, 75% cut; 0-10bn, 70% cut. Developing countries without AMS exempted from this system since they should not make any de minimis cut. |
| **Harmonisation**                               | Reduce the EU and Japan allowed AMS by 83% and overall level of trade distorting support by 75% (53% for Japan). Proposed cuts will reduce the disparity between the EU and the United States in allowed AMS. | Proportional, but not equal reductions of other major subsidisers. Three bands and EU in the highest. |
| **Green Box**                                   | No substantial changes in criteria, and no cap on “green box” support levels | No changes accepted. |
| **Enforcement of rules**                        | Establish a “peace clause” to protect farm programs if a country keeps trade-distorting support below agreed levels. | Review and clarification of the green box criteria. |
The effect of these proposals varies according to the different commentators. The controversy over figures is based on the following differences in interpretation:

1- Will proposals cut actual spending or not?
2- What matters most in terms of agricultural reform, the design of subsidy programs or overall levels of spending?

**Oxfam’s assessment of the domestic support proposals**

The Doha Round, launched in 2001, must end dumping if it is to have a positive impact on development. The new agreement on agriculture must make meaningful cuts in the current levels of spending and severe revisions of trade-distorting criteria. Cutting WTO ceilings is a good measure because it reduces the possibility of enlarging agricultural budgets and enhances predictability in the system, but it has no tangible impact on poor farmers currently suffering from the unfair competition of dumping, like cotton farmers in West Africa.

Two important caveats need to be taken into consideration in the analysis of the figures:

- **Numbers are old**: Most of our estimates are based on 2001/2002 spending levels. Regrettably, this is the last year of spending notified by the US and the EU. The lack of notifications for the last four years introduces a considerable level of uncertainty and opacity in the negotiating process, since both the US and the EU have recently reformed their agricultural support policies (2002 and 2003, respectively). When possible, we have tried to avoid this inconvenience by estimating more recent levels.

- **Not all the subsidies are the same**: There is a hierarchy in the level of distortion of different farm payments, therefore, overall spending is not necessarily a good measure of the ambition and scope of the current proposals. Both cuts in overall spending and the types of programs must be disciplined. Some self-nominated ‘non or minimally’ trade distorting green box payments can and do cause harm to developing countries. While decoupling subsidies from price and production – a central aim of domestic support disciplines – has reduced production in some sectors, it has not stopped dumping. This is partly because decoupling has not worked in the way in which economists initially predicted, and partly because payments still go to the farms that have always received the bulk of the subsidies — meaning that most of the support is concentrated on a small number of producers, thus increasing its impact.

**Will the US and the EU cut their agricultural spending as much as they claim?**

Overall, OXFAM’s assessment of subsidy superpowers’ offer is very negative. There is no reason to think that structural unfair competition through subsidised overproduction and exports will be tackled with the proposals made by the EU and the US:

- According to our calculations, neither the US nor the EU would be forced to make any relevant cut in their current level of spending. Thanks to the huge flexibility that both economic countries have enjoyed during the Uruguay Round, very little will take place behind the fanfare of these spectacular cuts (see table 3 for details).

- According to their latest notifications to the WTO, the US proposal for overall cuts in trade distorting support (53.5%) would not bring the Doha ceiling below their current level of spending. Under the US proposal, the US payment ceiling would be lowered to $22.1bn, while their real spending in 2001 was $21.4bn

  - **Loopholes compensate cuts**: As table 3 shows, while the US proposes cuts (close to $7bn) to be made in the amber box (highly distorting payments, mostly focused on commodity programs such as corn, cotton, rice and others), these cuts would be compensated to a great extent by the flexibility created in the use of fully trade-distorting support under the de minimis and the blue box exceptions (almost $10bn and $5bn, respectively).
- **Worse than ten years ago:** The current US proposal on the amber box (i.e. the most trade distorting subsidies) would halve these subsidies compared with subsidy levels in 2001. However, the proposal sets a ceiling for the amber box ($7.6bn) which is almost a billion higher than the average AMS spending at the end of the last round, between 1995 and 1997. The US proposal would reduce subsidies have grown dramatically in recent years. Much of the reduction simply corrects increases in spending that resulted from large “emergency” payments and the 2002 Farm Bill.

- **Still some cuts may have to take place:** US officials have stated that the US could not take full advantage of the product-specific de minimis allowance, since the main subsidised crops in the USA are getting payments well over 2.5% of the value of production. This means that the US may be forced to restructure farm subsidies or be forced to fail to take advantage of the full permitted subsidies. However, this fact should not be overstated. In their best scenario, where the use of the product-specific de minimis was reduced to its minimum, maximum overall cut to trade-distorting subsidies would be around $4bn, i.e. 4% of the overall spending or 19% or trade distorting support.

- **The key is in the new blue box:** Moreover, the modest positive effects of cuts in the Amber Box and de minimus is thwarted by creation of a new, permissive blue box. Under the US proposal, trade-distorting counter cyclical payments (CCPs), which compensate farmers when prices fall below a politically-defined ‘target price,’ will qualify for the blue box. Currently, the US does not have blue box subsidies, but in the future could protect up to $5bn of subsidies in the blue box, CCPs could nearly double from $2.5bn (in 2005) to $4.8bn per year. Unless commodities prices are unusually low (and therefore CCPs unusually high), the proposed ceiling for the blue box would be more than enough to accommodate US CCP.

- **Green does not necessarily mean clean:** No ceiling is likely to be introduced in the green box. While most subsidies currently classified by the US in this box are not trade distorting (such as food stamps or environmental programs), the US (and EU) have included subsidies in the green box which do not qualify: direct payments. In the future, the US and EU could increase the level of such payments unless WTO discipline is put on the green box.

**Since the latest US notifications made in to 2001, are proposed reforms likely to cut current levels of spending?** More recent data from the US Department of Agriculture suggest that the picture of subsidies – and the modest impact of the US proposal on disciplining them – is unlikely to change the US updates the notifications to the WTO. The following table by the Brazilian think-tank Icone shows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total distorting support</th>
<th>Reduction after US proposal</th>
<th>Water</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Million $</td>
<td>%</td>
<td>Effective reduction</td>
</tr>
<tr>
<td>2004/05</td>
<td>18.140</td>
<td>-5%</td>
<td>-952.4</td>
</tr>
<tr>
<td>2003/04</td>
<td>12.914</td>
<td>0%</td>
<td>0</td>
</tr>
<tr>
<td>2002/03</td>
<td>11.934</td>
<td>0%</td>
<td>0</td>
</tr>
</tbody>
</table>

**Table 2.** US total distorting support after 60% cut in AMS and 50% cuts in de minimis and blue box ceilings, respectively (million US dollars)

(Notice: double counting effect considered, see note to table 3 below)

**Source:** Icone, based on USDA figures. The updated net outlays of the Commodity Credit Corporation can be found in [http://www.ers.usda.gov/publications/agoutlook/aotables/](http://www.ers.usda.gov/publications/agoutlook/aotables/) (table 35).

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1 When this happens, all of your payments have to be notified as amber box, so either you’re under one box or the other. Corn might be the one exception to this rule, given that the AMS was in 2001 a small part of the total value of production. The argument is true for the rest of the main AMS highly subsidised sectors (cotton, rice, soybeans, dairy and sugar).
It's worth acknowledging that the US has established in its proposal a long-term plan to achieve a zero-zero objective on tariffs and trade-distorting support by 2023. While the ambition set in this proposal must be welcomed, the credibility of this proposal is seriously undermined by US’ current position, which favours modest reform in the short term and leaves real reform to wait a decade. At the same time, the complete elimination of tariffs in developing countries (and, perhaps even in developed countries) is a highly questionable objective if food security and rural livelihoods are to be guaranteed (see more on this in the market access section).

- The analysis of the EU proposal shows very similar conclusions: current proposed reforms would have very little impact on overall spending, the trade-distorting nature of farm payments and EU notifications, likewise, have not been updated since 2001.
  - Subsidies have changed boxes, but they are still there: While the 70% cut proposed for the amber box would have been extremely ambitious only three years ago, the reform that took place in 2003 has shifted most of the payments into the green box, therefore allowing the EU considerable space in the remaining boxes. While this is a step in the right direction, the fact is that, according to Oxfam’s estimations, the proposal made by the EU would not reduce or re-allocate a single euro of the current level of spending, and they could even increase spending by $13bn per year.
  - Nothing will change in the current Common Agricultural Policy as regards to domestic support proposals: The considerable room for manoeuvre in the three trade distorting columns would allow the EU to continue using market price support mechanisms in those sectors, crucial to the livelihoods of developing countries, like sugar and dairy. In other words, recent complaints made some European Governments that the EU proposal will undermine their entire farm sector are unfounded.
  - As regards to overall production and exports, little is likely to change, as all the CAP reform impact assessment studies done so far show².

Will these proposals at least lead to a meaningful reform of the distorting nature of subsidies?

- Apart from the debate on the size of cuts, there is a crucial discussion taking place around the revision of the green and the blue box criteria, and the revival of the so-called peace clause. Given that economic outlays will not change substantially, the other only way to tackle the distorting effect of these subsidies is to guarantee that they fulfil the condition of being ‘non or minimally’ trade distorting.

There are two main elements to be considered here:

  - The blue box is meant to contain subsidies that are less distorting than those in the amber box (because they include some kind of production-limitation clause). However, new criteria negotiated by the US last year mean that the blue box is more flexible and subsidies that were formerly in the amber box can be reclassified as blue, including Counter Cyclical payments. Therefore the definition of ‘less trade distorting’ is suspicious.
  - Although green box payments are considered ‘non or minimally trade distorting’, in reality, this is not always the case. Due to a number of factors like the differentiated effect of various green box payments, the accumulation of subsidies across boxes for the same products and the concentration of payments to just the top producers³, not all payments classified in the green box are non-trade distorting.

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² See Oxfam’s A Round for Free (section 3) for details on this.
³ Id.
As the July framework stated, it is critical that certain measures are taken in order to guarantee that these payments are effectively less distorting than amber box payments (see OXFAM proposals below). However, both the US and the EU have strongly rejected any effective review of the green box criteria. With regards to the blue box, only the EU has made a vague reference.

- Finally, the US note includes a proposal to revive the peace clause. Contained in Article 13 of the Agreement on Agriculture, the Peace Clause restricts members’ rights to retaliate against other members’ subsidies as long as those subsidies remain within committed levels. As the AoA already provided significant advantageous treatment for developed countries, the peace clause protected big subsidy users from most retaliatory actions by other members against their practices during the AoA’s implementation period to the end of 2003. In practice, this has allowed the EU and the US to circumvent many of their obligations under the AoA without fear of legal challenges from their trading partners. The US’ attempt to revive it is an unacceptable move that should be strongly rejected.

What do developing countries say?

Not surprisingly, developing countries (in particular the G20) have clearly stated that these proposals are not enough. The level of cuts should provoke substantial cuts in US spending and reduce the EU’s flexibility to increase trade-distorting support. According to their proposal, the overall distorting support of the US and the EU would be limited to $12bn and $27bn, respectively. The G20 also incorporates in its proposal a number of complementary measures, including a revision of the green and blue box criteria.

Cotton is still here

The July framework agreement of 2004 pledged that the cotton subsidies, an issue of enormous importance to several developing countries, would “be addressed ambitiously, expeditiously, and specifically, within the agriculture negotiations. Yet negotiations have hardly moved since then. In addition, the Special Session of the Committee on Agriculture was instructed to “ensure appropriate prioritisation of the cotton issue”. Yet, when looking at the treatment of cotton, the current proposal from the US on agriculture clearly fails to live by the standards set in the July framework:

‘Expeditious’ treatment:
- Despite the urgency of the situation for most African producers, the US proposal only looks at a complete elimination of trade distorting domestic support and export subsidies over the next 15 years.
- On the export pillar, it looks likely that the Step 2 program will be eliminated by July 2006. In addition, the US has eliminated export credit guarantees for cotton. While these are welcome moves by the US, both programs were labelled as prohibited subsidies by the WTO Dispute Settlement Body and should have been eliminated as of July 1st 2005.
- On the domestic support pillar, there is no proposal by the US to reform programs paid to cotton farmers on an early harvest basis. According to the proposal on the table, cotton would be treated as any other commodity.

‘Ambitious’ treatment:
- As mentioned above, the actual impact of the current US proposal on trade distorting programs that are relevant to cotton (marketing loans and Counter cyclical payments) is unclear at best. If these programs have to be redesigned to accommodate the caps on blue and amber box, there is no guarantee that actual level of spending will actually decrease.
- This also raises the question of the implementation of the cotton panel because both of these programs have been found to cause serious prejudice to other cotton producing countries by the Dispute Settlement Body.

‘Specific’ treatment:

- The US proposal does not propose anything specific regarding the treatment of cotton subsidies. The assumption is that new commitments to reduce domestic support, including payments to cotton producers, would suffice.

- A product specific cap on Amber box set at the level of support provided in the 1999/2001 period is unlikely to discipline Marketing loans on cotton as payments during these years were very high. ($ 1.612 billion in MY 1999, $ 0.565 billion in MY 2000 and ($2.540 billion in MY 2001).
### Table 3. UNITED STATES and EUROPEAN UNION: The outcome of the Doha Round at the end of the implementation period
(Oxfam estimations based on their respective Zurich proposals, 10 October 2005)

<table>
<thead>
<tr>
<th></th>
<th>AMS</th>
<th>De minimis</th>
<th>Blue</th>
<th>Green</th>
<th>TOTAL</th>
<th>TDS(*)</th>
<th>Overall cut</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USA (bn)</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uruguay Round ceiling</td>
<td>19,1</td>
<td>19.3(1)(2)</td>
<td>9.7(3)</td>
<td>No ceiling</td>
<td>48,1</td>
<td>22.1</td>
<td>54%</td>
</tr>
<tr>
<td>US suggested parameters</td>
<td>60% cut</td>
<td>50% cut (so</td>
<td>2.5% of the</td>
<td>No ceiling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.5% + 2.5% of</td>
<td>value of production(2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doha Round ceiling</td>
<td>7.6</td>
<td>9.7</td>
<td>4.8</td>
<td>50.7(4)</td>
<td>72.8</td>
<td>22.1</td>
<td></td>
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<tr>
<td>Most recent notification</td>
<td>(2001/02)</td>
<td>14.4</td>
<td>7.0</td>
<td>0.0</td>
<td>50.7</td>
<td>21.4</td>
<td></td>
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<tr>
<td>Real required change</td>
<td>-6.8</td>
<td>2.7</td>
<td>4.8</td>
<td>0.0</td>
<td>0.7</td>
<td>0.7</td>
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<tr>
<td><strong>EU ($bn) (€1=1.2bn)</strong></td>
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<td></td>
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<tr>
<td>Uruguay Round ceiling</td>
<td>80.6</td>
<td>26.8(1)</td>
<td>28.4(3)</td>
<td>No ceiling</td>
<td>135.8</td>
<td></td>
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<td>EU's suggested parameters</td>
<td>70% cut</td>
<td>80% cut (so 1% + 1% of</td>
<td>2.5% of p.v. (2)(5)</td>
<td>No ceiling</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>2.5% + 2.5% of the value of production(2)</td>
<td>p.v.</td>
<td></td>
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<td>5.4</td>
<td>6.7</td>
<td>59.9(4)</td>
<td>96.1</td>
<td>36.3</td>
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<td>Oxfam estimation of post-2003 EU payments(6)</td>
<td>19.6</td>
<td>1.1</td>
<td>2.3</td>
<td>59.9(4)</td>
<td>82.8</td>
<td>22.9</td>
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<td>Required change (Doha ceiling minus post CAP reform applied levels) (6)</td>
<td>4.6</td>
<td>4.3</td>
<td>4.4</td>
<td>0.0</td>
<td>13.3</td>
<td>13.3</td>
<td></td>
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<tr>
<td><strong>EU (€bn)</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Uruguay Round ceiling</td>
<td>67.2</td>
<td>22.3(1)</td>
<td>23.7(3)</td>
<td>No ceiling</td>
<td>113.2</td>
<td></td>
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<tr>
<td>EU's suggested parameters</td>
<td>70% cut</td>
<td>80% cut (so 1% + 1% of</td>
<td>2.5% of p.v. (2)(5)</td>
<td>No ceiling</td>
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<td></td>
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<td>2.5% + 2.5% of the value of production(2)</td>
<td>p.v.</td>
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<td>Doha Round ceiling</td>
<td>20.2</td>
<td>4.5</td>
<td>5.6</td>
<td>49.9(4)</td>
<td>80.1</td>
<td>30.2</td>
<td>70%</td>
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<td>Oxfam estimation of post-2003 EU payments(6)</td>
<td>16.3</td>
<td>0.9</td>
<td>1.9</td>
<td>49.9(4)</td>
<td>69.0</td>
<td>19.1</td>
<td></td>
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<tr>
<td>Required change (Doha ceiling minus post CAP reform applied levels) (6)</td>
<td>3.9</td>
<td>3.3</td>
<td>3.7</td>
<td>0.0</td>
<td>11.1</td>
<td>11.1</td>
<td></td>
</tr>
</tbody>
</table>

(*) AMS + de minimis + blue.
(1) This figure includes the current de minimis exception both for product-specific and non product specific distorting support (5% + 5% of the value of production).
(2) We have used for this calculation the 1995–2000 average notified value of production ($193bn in the USA and €223bn [$268bn] in the EU).
(3) No ceilings were established for the blue box in the UR, so we take here as a reference the 5% of the value of production (US) or any higher applied level (EU).
(4) No ceilings are likely to be imposed on the Green box in the current round, so we have used the latest notification levels as reference. For the EU, the reduction starting point would be €49.9bn, our estimated applied level after the implementation of 2003 CAP reform.
(5) No proposal has been made here from the EU, so we assume the ceiling proposed by the US.
(6) Calculations on Oxfam estimates are available in Annex D of Oxfam’s briefing paper #76 A Round for Free (http://www.oxfam.org.uk/what_we_do/issues/trade/bp76_modalities_and_dumping.htm). De minimis figure corresponds to EU’s most recent notification to the WTO.

Source: Oxfam’s calculations based on WTO notifications, USDA, European Commission and US/EU proposals at Zurich mini-ministerial (10 October 2005).

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NOTE: there’s a risk of double-counting in the amber and de minimis payments. A particular crop in a particular year cannot get amber and de minimis payments at the same time. Therefore, the reference numbers need to consider this double counting and be reduced in consequence. Overall, this correction would lower de final ceiling by around $1bn in the US case and by around $2bn in the EU case.
Oxfam proposals on domestic support:

All of the following elements are needed to ensure substantial reductions in trade-distorting support and put an end to dumping of subsidized products onto international markets. Some of them have already been considered in one or more negotiating proposals, but none of the developed countries have included a consistent package that addresses real cuts and disciplines:

1. The tiered reduction formula should include provisions for bigger AMS cuts than those currently proposed by the USA and the EU, respectively, by the end of the implementation period.
2. The use of the de minimis exception should be reduced by 50 per cent for developed countries.
3. The permitted Blue Box level should be reduced by 50 per cent, down to 2.5 per cent of the value of total agricultural production.
4. There should be product-specific caps in the Amber and Blue Boxes.
5. There should be no expansion of the current Blue Box. If new criteria are still discussed, then they should include
   a. Ban on updating
   b. Price-contingent criteria to determine target prices in US counter-cyclical payments
   c. Proportionality between set-aside measures and payments in production-limiting programmes
6. The following additional criteria should be negotiated for the green box:
   a. Minimisation of wealth effects
   b. Strict social and environmental criteria
   c. No planting restrictions or limitations to product-shifting
7. Developing countries should not be obliged to reduce their agricultural support programmes – particularly the de minimis exception, most of which are focused on rural development and food security programmes.
8. In addition to the implementation of the WTO panel’s ruling, all remaining trade-distorting support for cotton classified under the Amber, Blue, and Green Boxes should be eliminated on a fast-track basis. This commitment should be included in the first outline of the Hong Kong declaration (the ‘first approximation of modalities). Finally, the international donor community should commit additional funds to prevent the collapse of cotton sectors in Africa.
9. To ensure improved monitoring and surveillance, all WTO members should:
   a. Notify their subsidies to the WTO secretariat at the end of each calendar or marketing year and provide complete descriptions of subsidy programs, including those currently classified under the Green and the Blue Box.
   b. Provide information about amounts of subsidies and the identity of subsidy recipients.
   c. There should not be a renewal of the peace clause.
Market access

Using trade policy and domestic interventions to get the right balance between production, exports and imports is crucial for rural development. Imports help to keep food affordable for low-income consumers who depend on it, but imports can also undermine prices for domestic farmers. This can be due to dumping, premature cuts in import tariffs, and depressed or volatile world market prices. Given both the volatility and the decline of many commodity prices, many countries’ export earnings fluctuate significantly, and a strategy of relying on imports to meet national food needs would leave them deeply vulnerable to crisis.

On the other hand, exports of agricultural products can play a crucial role in generating revenues and opportunities for developing countries’ economies, and could help to reduce poverty levels if these take place under the right conditions.

However, rich countries have side-stepped this development agenda to pursue an agenda of their own: maintaining heavy subsidies and tariffs for their own producers and disposing of the resulting surplus production by pushing developing countries to open up their markets, irrespective of the costs to development. Rich countries have, through the IMF and World Bank and by negotiating free trade agreements, pushed developing countries to cut their agricultural import tariffs. As a result, between 1990 and 2000, developing countries cut their average applied tariffs on agricultural imports from 30 per cent to 18 per cent4. Now rich countries are aiming to secure more market openings with the binding rules of the WTO, so that they can continue to dump their surplus production.

WTO negotiations on market access focus on lowering “bound tariffs”. These are the ceiling levels to which countries can raise their “applied tariffs”, those actually enforced at the border by customs5. But the concrete impact on trade flows comes from the resulting impact on applied duties, because this will determine the entry price of imported agricultural goods, and hence the extent to which local production is protected against cheap imports. When the resulting bound tariff after reduction is lower than the current applied tariff, this will force the country to reduce the applied tariff.

The main outcome of the market access negotiations will be the tariff reduction formula, but there are other complementary measures (such as special and sensitive products and the Special Safeguard Mechanism) which can determine the gains of developing countries from this round.

Economists and rich country negotiators sometimes raise concerns that such policy tools could be captured by vested interests and agribusiness lobbies in developing countries. But the same happens in the North. Businesses – agricultural and industrial - lean on governments to protect their profits by keeping tariffs high. Consumers and small producers lose out. These are genuine risks, and how governments manage them will depend on their accountability and competence in dealing with the kinds of lobby that any government faces. However, Oxfam’s view is that WTO rules should not attempt to substitute for good government by reducing policy

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4 World Bank. Global agricultural trade and developing countries. Washington 2005

5 Under the WTO’s 1995 Agreement on Agriculture, non-tariff barriers such as quotas and bands were converted into tariffs. Bound tariff levels then had to be reduced (on an average across all crops) by 36 per cent for developed countries by 2000 and 24 per cent for developing countries by 2004. Some countries were additionally required to open quotas for importing a minimum of produce at very low tariff rates. Any imports out of these so-called “tariff-rate quotas” face the usual applied tariff.
flexibility and that developing countries will not benefit from this round of negotiations unless they are granted flexibility and policy space to protect fledgling farm sectors and industries.

What is on the table?

Following an initial proposal from the G20 in June 2005, other negotiating blocks came forward with their offers this month (October 2005). The following table summarizes the basic characteristics of the latest proposals (as per October 28th). These reflect the combination of defensive and offensive interests from different negotiating parties:

<table>
<thead>
<tr>
<th>Table 4. Market access: G20, US, EU, G10 and ACP market access proposals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tariff reduction</strong></td>
</tr>
<tr>
<td>Four bands, linear cut within each band. Average cut of at least 54% for developed countries and a maximum average cut of 36% for developing countries.</td>
</tr>
<tr>
<td><strong>Maximum tariff (cap)</strong></td>
</tr>
<tr>
<td>100% for developed countries and 150% for developing countries.</td>
</tr>
<tr>
<td><strong>Special Products (SPs) and Special Safeguard Mechanisms (SSMs)</strong></td>
</tr>
<tr>
<td>Integral elements that should be operational. Details to be worked out with G33, according to food security and rural development needs.</td>
</tr>
<tr>
<td><strong>Sensitive Products</strong></td>
</tr>
<tr>
<td>Willing to accept a 1% of tariff lines.</td>
</tr>
</tbody>
</table>
The basis of all current proposals is the G20 proposal of June 2005, revisited on October 13\textsuperscript{th},
based on different bands and thresholds for developed and developing countries, with a linear
cut reduction within each band, and special and differential treatment for developing countries.
The most recent proposal is the EU 28\textsuperscript{th} October gets the closest to the G20 proposal,
especially with regards to the space it gives to developing countries. However, the EU still has
to deal on the one hand with the internal fierce opposition from France against significant
agricultural reform, and on the other with pressure from the US and others to make deeper cuts.
But the EU proposal on sensitive products should not be dismissed. Classifying 8\% of all tariff
lines as sensitive products threatens to undermine any benefit on market access to the
developing countries.

Development concerns in the market access pillar

There are four main elements to be considered in order to assess the development impact of
the market access proposals described above:

1- Does the proposal respect the Special and Differential Treatment (SDT) of
developing countries, allowing these countries to make less onerous commitments than
those agreed for developed countries?

2- Does the proposal respect the policy space of developing countries to decide upon
the appropriate agricultural policies and to regulate trade flows in order to preserve the
food security, rural development and livelihoods needs?

3- Does the proposal create increased opportunities for developing countries to
access Northern markets?

4- Finally, is the preferential access of products from some developing countries to
developed countries markets threatened and if so are the plans to compensate for
this?

Oxfam’s assessment of the current market access proposals

OXFAM considers that an optimum development impact of this round should combine two
main factors: meaningful recognition of the right of developing countries to preserve
enough policy space in the agricultural sector and substantial increase in their access to
Northern markets. A real Development Round means the achievement of one of these
objectives should never be made at the expense of the other.

That said, two important caveats need to be taken into consideration when looking at the
proposals:

- ‘Average’ tariff cuts are usually meaningless: Focusing on the average tariff reduction does
  not provide an accurate sense of what is involved in a specific proposal. An apparently
generous average reduction in tariffs could be hampered by exceptionally high tariff
peaks on certain products in rich countries and very low tariffs on less sensitive
products, which prevent imports of these products from developing countries from entering
rich country markets.

In practice, this means that the US would be able to continue protecting sugar and
orange juice, while the EU has made clear its intention to include the beef, poultry,
fruits and vegetables, and sugar sectors under a special safeguard clause to allow
continuing its protection. These sectors are crucial for developing countries exports, and
developing countries will not benefit from market access liberalization if they cannot export
these products.
Tariffs are not the only way to protect markets: Even when tariffs are not extraordinary high, non-tariff barriers such as rules of origin and health and sanitary requirements act as an effective barrier against imports from developing countries that cannot comply with extensive regulation. None of the proposals mention any provision to ameliorate the effect of these barriers.

How to evaluate the impact on development

In order to evaluate the development impact of the different proposals, the following set of objectives for developing countries have been considered:

- Less onerous commitments than developed countries
- Lower minimum average tariff reduction requirements than developed countries
- Longer implementation period
- Guaranteed country-specific concerns related to food security, rural livelihoods and rural development needs, through the designation of Special Products
- Special Safeguard Mechanism to deal with emergency situations due to import surges and price depressions
- Least developed countries (LDCs) should be exempted from tariff reduction and tariff quotas commitments.

Table 5. Assessment of market access proposals (October 28th 2005)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower average cut for DCs</td>
<td>Yes. Developing countries cut less than 2/3 of developed countries.</td>
<td>Not quantified. Proposal talks about 'slightly lesser reduction commitments', which does not ensure SDT. The cap is only ¼ lower for developing countries.</td>
<td>Yes. Developing countries cut less than 2/3 of developed countries.</td>
<td>Recognized but not quantified. Defines minimum cut as a percentage of the formula cut.</td>
<td>Yes. Specific cuts for developed countries to be specified.</td>
</tr>
<tr>
<td>Longer implementation period for DCs</td>
<td>Not mentioned.</td>
<td>Not mentioned.</td>
<td>Not mentioned.</td>
<td>Yes, as part of the SDT.</td>
<td>Not mentioned.</td>
</tr>
<tr>
<td>Higher thresholds for DCs</td>
<td>Yes. No. Same thresholds for developed and developing countries.</td>
<td>Yes.</td>
<td>Yes.</td>
<td>Yes.</td>
<td>Yes.</td>
</tr>
<tr>
<td>Special products and SSM provisions</td>
<td>Yes. Highlighted as essential part.</td>
<td>Very restrictive scope. SP and SSM should not be restricted to import surges.</td>
<td>Yes. Not quantified but important qualitative remark is made in respect to rural development, food security and livelihood needs of developing countries.</td>
<td>It seems to treat special products in the same way as sensitive products, with no reference to food security and rural development needs.</td>
<td>Yes. Highlighted as essential part.</td>
</tr>
<tr>
<td>Least Developed Countries exemptions</td>
<td>Yes.</td>
<td>Not mentioned.</td>
<td>Yes, LDCs exempted from tariff reduction requirements.</td>
<td>Not mentioned.</td>
<td>Yes. Developed countries and advanced developing countries to provide free market access to LDCs products.</td>
</tr>
</tbody>
</table>
Does this mean poor countries will get increased market access and the chance to implement pro-development agricultural policies?

**Overall, OXFAM’s assessment of developed countries’ offers is negative.** For different reasons, neither the US nor the EU (or G10 countries’) proposals properly combine the two factors (policy space plus increased market access) described above:

- **The US proposal** violates the principle of less than proportionality, because it keeps the same bands and thresholds for developed and developing countries. It does not comply with the G20 request to ensure SDT by allowing developing countries to reduce their tariffs by two thirds as much as rich countries. The maximum tariff for proposed for developing countries (100%) is far lower than the G20 and EU proposal of 150%.

- **The EU proposal** on market access is not far from the G20, but the combination of tariff reduction flexibility in the lowest band, and the provision of sensitive products and a protection mechanism for key agricultural sectors may hamper the apparent progress and close market access opportunities to developing countries. Despite the explicit intention of the EU to respect the needs of developing countries over commercial objectives, and the right of these countries to designate their own number of sensitive products, neither the EU nor the US proposals are specific about SP and SSM details, leaving developing countries with no guarantee that these will be meaningfully addressed.

  Even though the EU proposal contains many provisions for continued protection of farmers, a number of EU Member States lead by France have criticised it, claiming that it would put the Common Agricultural Policy at risk. In OXFAM’s view, these protests are unjustified and pose serious threats to the credibility of the EU negotiating mandate. Put simply, France is stating the obvious: certain cuts in tariffs will have to be made. However, the effect of these cuts is considerably exaggerated by France, given the number of exceptionalities and ‘sensitivities’ claimed by the EU countries for themselves.

- **Opportunities coming from increased market access are likely to be lost**: The World Bank has recently expressed that developed countries must cut their highest farm tariffs by 75 percent in order to benefit the world’s poorest nations from the WTO liberalization of agricultural trade. Both the EU and the US proposals are far from reaching this 75% reduction of their tariffs. However, the danger is that they may use their own reduction proposals and the pro-liberalisation arguments of the World Bank to force developing countries to further open their markets and reduce their policy space to deal with agricultural trade and policies. This would be dangerous and anti-development.

- **The ACP response** reveals the importance of the negotiations at stake, highlighting that the market access pillar is the only one about which developing countries can negotiate, and the consequences of the outcome on the lives of millions of poor people cannot be underestimated. A group that comprises 81 developing countries has put forward a proposal that has been welcome by the G10, with a realistic proposal for developing countries, and in line with the G20 and G33 proposals on SPs and SSM.

**The exceptions: Why sensitive and special products are not the same**

Both developed and developing countries have claimed exceptions from liberalisation commitments on certain products of particular importance for them. However, the reasons that would justify market protection – and the complementary financial resources available in each case— are very different in one case and the other, and therefore should have different non-reciprocal consideration:
- **Special Products are a tool for development.** The July Framework includes the designation by developing countries of an appropriate number of Special Products, based on criteria of food security, livelihood security and rural development needs. This provision is crucial to guarantee the special and differential treatment that brings the development dimension to the Round.

- On the contrary, **sensitive products are a privilege for developed countries** in exchange of concessions to developing countries. Sensitive products have been a mechanism for rich countries to block certain products, which developing countries are often able to produce more cheaply, like sugar, dairy and beef, from entering their markets. There is a high risk that this instrument will cancel out any apparent improvement in market access for developing countries.

The G33 has made a proposal on Special Products to be presented together with the G20, stressing maximum flexibility in its use and recalling that no concessions should be asked for in return. Rich countries have so far neglected the importance of Special Products for developing countries, which seriously undermines their credibility: the G10 has not made any mention of Special Products, the US limits its use to a transitional measure against import surges, forgetting the food security and the rural development needs, and the EU recognises the right of developing countries to decide upon the number of products to be designated as Special, but the lack of details leaves the actual mechanism very vague.

**The impact on agricultural protection in developing countries**

Developing countries need to be able to set their applied tariffs high enough to deal with dumping and protect the incomes of small farmers. But they also need additional space (known as ‘water’) between their applied tariffs and the bound ceiling level in order to offset big changes in international commodity prices, to preserve future policy options and to negotiate future rounds.

In order to assess the likely impact of the round on the protection of vulnerable agricultural sectors in developing countries, Oxfam has considered the effect of the maximum tariff proposed on a group of agricultural commodities that are relevant to developing countries, economies and food security:

- The commodities analysed are: poultry, sugar, sorghum, oil seeds, vegetable oils, wheat, and rice.

- The analysis is done for 60 developing countries that are members of the WTO and that are subject to tariff reductions (therefore non Least Developed Countries). Because specific tariff cuts for developing countries have not been designated in the US proposal, the analysis is done estimating for developing countries a cut of 2/3 the cut proposed for developed countries.

As the table below shows, the tariff reduction formula the US is proposing would mean cuts for an important number of developing countries in some development-sensitive sectors. For example, the US proposal would force fourteen developing countries to cut their current tariffs on poultry, while the G20 and the EU proposals would do so on four developing countries. This could lead to the destruction of fledgling or vital agricultural sectors, and threaten food security and livelihoods.
<table>
<thead>
<tr>
<th>Proposal</th>
<th>Maize</th>
<th>Wheat</th>
<th>Rice</th>
<th>Sugar</th>
<th>Poultry</th>
<th>Vegetable oils</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>7</td>
<td>13</td>
<td>11</td>
<td>19</td>
<td>14</td>
<td>11</td>
</tr>
<tr>
<td>G20 and EU</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

*Source: Data from MacMap database, October 2005*

The case of Africa

- There are 20 million rice farmers in Africa, where rice is a strategic crop. Rice production and consumption rose sharply in the 70s and 80s, driven by change in habits and increasing urban populations. In Ghana, conditionality loans imposed by the Word Bank and the IMF forced the reduction of rice import tariffs in 1983. The consequent floods of rice imports displaced local production, pushing small producers out of the sector and giving consumers a preference for cleaner, white, processed rice. Today, rice production in other African countries is threatened again by proposed reduction on import tariffs.

- The following table illustrates how the rice sector in several African countries is threatened by the EU and the US proposals on market access. For example, Kenya would be forced to reduce its current bound tariff of 100 percent to 60 and 40 percent according to the EU and the US proposals, respectively. In both cases this would mean an actual cut in the real or 'applied' tariff of 75 percent in Kenya and would lead to an increase in rice imports.

Rice is not the only food staple sector which is at stake. The following tables illustrate how several African countries, some of the poorest in the world, would be forced to reduce their recently applied tariffs in sectors that are crucial for small farmers, such as poultry and maize. This reduction threatens local production of these goods in Africa because the lower tariffs will lead to increased imports of these goods from rich countries. Note that poultry and sugar are sectors that the EU intends to continue protecting.
Countries forced to reduce their POULTRY applied tariffs by the EU and the US proposals

The impact on agricultural protection in developed countries
There are not many reasons to think that the market access proposals made by rich countries will help to boost export opportunities for developing countries. While some tariff cuts (particularly the US one) look ambitious, rich countries will still be able to maintain considerable levels of protection in a number of key agricultural sectors. This wariness is based on one essential concern already mentioned before: average tariff cut is not an appropriate way to measure real market liberalisation, since its effects could be easily overridden by non tariff barriers, tariff escalation and the number of exceptionalities included in the current proposals.

What's in a number?
Despite having considerable lower average bound tariffs, many developed countries have extremely high tariffs (so called peaks) on specific products\(^6\). The following table illustrates the relevance of tariff peaks in the main developed markets.

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\(^6\) According to the WTO, the highest peaks of tariffs faced by agricultural commodities in developed countries are 408% on meat, 264% on dairies, 200% on sugar, 179% on oil seeds and 140% on poultry.
Table 7.  Relevance of average and peak applied ad valorem agricultural tariffs in main developed countries

<table>
<thead>
<tr>
<th></th>
<th>Ave. tariff (%)</th>
<th>Max. tariff (%)</th>
<th>Number of tariff lines</th>
<th>Number of tariff peaks (%)</th>
<th>12-19</th>
<th>20-29</th>
<th>30-99</th>
<th>100-299</th>
<th>&gt;300</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>19</td>
<td>506</td>
<td>2726</td>
<td>1273 (46)</td>
<td>572</td>
<td>334</td>
<td>334</td>
<td>31</td>
<td>2</td>
</tr>
<tr>
<td>US</td>
<td>9.5</td>
<td>350</td>
<td>1890</td>
<td>718 (38)</td>
<td>204</td>
<td>307</td>
<td>132</td>
<td>53</td>
<td>22</td>
</tr>
<tr>
<td>Japan</td>
<td>10.3</td>
<td>500</td>
<td>1779</td>
<td>334 (37)</td>
<td>139</td>
<td>70</td>
<td>99</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>Canada</td>
<td>3.8</td>
<td>238</td>
<td>1429</td>
<td>164 (11)</td>
<td>65</td>
<td>10</td>
<td>21</td>
<td>68</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: ¹CBO Policies that distort World Agricultural Trade: Prevalence and Magnitude, August 2005, Table 4 from World Bank, 2004 using WTO Integrated Database; and ²Third World Network, UNCTAD/WTO study by Chakravarthi Raghavan.

The table shows the important deviation of these peaks from the average tariff, as well as the number and percentage of tariff lines that enjoy peak tariffs. For example, the highest EU tariff is 506 percent, more than 26 times the EU’s average ad valorem rate of 19 percent. In the EU, almost half of all products (46 percent) enjoy tariff peaks, high enough to shut off trade of the products in question, except for limited trade within quotas.

- For developing countries, the key is not the average agricultural tariff, but the tariffs their specific exports will face. This brings us to the relevance of sensitive products, particularly when these involve products as meat, poultry, dairy, cereals (including maize, wheat and rice), cocoa, sugar, tobacco and bananas.
  - The EU proposal would reduce its sensitive products from 10 to 8 percent of tariff lines, allowing for 160 sensitive products. Even with expanded Tariff Rate Quotas, this would allow the EU to maintain very high levels of protection in some key sectors such as beef, poultry, sugar and fruits and vegetables.
  - The US has proposed in theory to limit the number of sensitive products to 1 per cent of tariff lines. While this is a remarkable level of ambition, there is a question as to whether the US will uphold this proposal in negotiations. In other trade agreements, like the recently-enacted CAFTA, the US has defined as many as 178 tariff lines as sensitive products, equivalent to almost 10 percent of all tariff lines.

- The G10 proposal to treat sensitive products separately from the rest, not being subject to tariff reduction, would allow developed countries to keep peak tariff and/or TRQ for current sensitive products. But even if subject to tariff reduction, products that currently have extremely high tariffs in developed countries could keep them under the G10 proposal. This is because they reject having a maximum tariff. Therefore, products with a tariff over 210%, for example, after a 54% cut would still have tariffs of over 100% (greater than the maximum tariff common in developed countries).

- Developed countries’ agricultural markets are also effectively protected by other mechanisms that discourage both developing countries’ exports and industrialisation:
  - Tariff escalation increases protection for processed or elaborated products. This policy discourages the possibilities for developing countries to develop their agricultural and food processing industry, and to diversify their agricultural exports into more value added products, hence making them more dependent on few basic agricultural sectors.
those highly protected in the North. (NB: doesn’t apply to LDCs exporting to the EU as they get duty and quota free access under the EBA).

- **Non-tariff barriers**, such as customs and other administrative procedures (rules of origin and sanitary, phytosanitary and quality requirements) have proven to be very effective protection mechanisms, often serving the interests of powerful lobby groups in developed countries. About 80% of the standards of goods imposed on developing countries are voluntary, initiated by the private sector. Developing countries lack the administrative, institutional and financial capacity to comply with increasing regulation demands to access developed countries markets.

**The problem of preference erosion**

Preferential trade agreements give more favourable access to certain products from some developing countries into rich countries’ markets, often at lower or zero tariffs and higher prices than the ones they get elsewhere. For example, the Everything But Arms (EBA) initiative has given duty and quota free access to the EU market for Least Developed Countries since 2001 (with some exceptions, including sugar). The US African Growth and Opportunity Act (AGOA) gives preferential access to US markets for several products, including textiles and clothing.

These agreements, while imperfect, have provided an opportunity for some African exports. Multilateral tariff reductions threaten to erode these preferences, resulting in significant losses for least developed and Africa and Caribbean and Pacific (ACP) countries. For example, the average tariff faced by US exports of beverages and tobacco into the EU is 23.5%, and the tariff faced by African countries is 2.2%. If a change in the WTO tariff structure meant a reduction of the US tariff to 7.7% with almost no change to the tariff faced by African exports, this would reduce the preference margin for Africa from 21.3% to 6.7%. As a result, African countries would be squeezed out of the EU market.

Any new Agreement on Agriculture needs to take into account the potential effects of preference erosion and find a way to help the countries affected.

**Oxfam proposals on agricultural market access:**

1. Genuine improvements in market access conditions for developing countries into developed country markets including ambitious targets for tiers, thresholds, and percentage reductions, limitations on the scope of sensitive products, improved rules of origin, simplified special products and non-tariff barriers.

2. A pro-development tariff reduction formula that does not exert excessive pressure on developing country tariffs. This includes specific tiers and thresholds for developing countries, and percentage reductions equivalent to maximum two-thirds of those for developed countries, as well as longer implementation periods. Least Developed Countries should remain exempt from any tariff reductions.

3. The full exemption of food security crops from tariff reductions for developing countries. These ‘special products’ should be self-selected by developing countries on the basis of the criteria set in the ‘July framework’ (i.e. food security, livelihood security, and rural development needs). When appropriate, developing countries should be allowed to continue using quantitative restrictions or renegotiate bound tariffs.

4. A Special Safeguard Mechanism for all developing countries, without product limitation, to smooth out excessive fluctuations in domestic price and volumes of imports.
5. A defense mechanism against subsidized exports should be introduced. Developing countries should be allowed to add to their bound tariffs a percentage tariff equivalent to the dumping margin on the basis of data from the WTO secretariat (in collaboration with other institutions such as the OECD and the FAO) about costs of production and export prices for agricultural products receiving subsidies.

6. When market access liberalization in developed countries threatens preferential access of products from developing countries, a phased schedule of implementation should be designed, in order to prevent those developing countries from losing export capacity.

Export competition

The present analysis is focused on the domestic support and market access pillars, since nothing substantial was suggested on export competition. The US came out with a very ambitious proposal on an instrument they scarcely use; elimination of export subsidies by 2010. However, the US failed to make substantial new commitment on equivalent instruments they do use; export credits and food aid. On export subsidies, the EU didn’t say anything new at all, and recent pressures coming from France will make it very difficult for the EU to make defined commitments in the short term.

Latest news from the talks arena doesn’t allow for a lot of optimism. According to sources close to the negotiations the US is trying to include a number of exceptions in the text on export credits agreed in the July framework, which limits the credits repayment timeframe to 180 days. These exceptions would allow for a safe harbour on the use of export credits if certain conditions are met, plus an expanded timeframe for certain products and recipient countries.

Furthermore, the new US food aid proposal is confusing the already difficult debate and avoiding the real issues. The US should be focusing on trying to get tighter disciplines for avoiding commercial displacement and getting ready to compromise on providing food aid in grant form. Instead, the US proposes to differentiate food aid depending on the recipient; Net Food-Importing Developing Countries (NFIDCs) and LDCs; and others, arguing these should be treated differently and that disciplines should only apply to some. This simply confuses the issue because commercial displacement can take place in relatively rich countries and poor, in net food-importing countries and even in exporting countries. Even LDCs and food importing countries have local producers and commercial importers with an interest in their local and national markets. Although food aid disciplines are not intended to impede food aid for humanitarian crises, even emergency food aid can and does displace commercial food markets. So far, the USA has not addressed this problem.

Oxfam proposals on export competition:

1. All forms of export support, i.e. export subsidies, export credits, and commercial use of food aid, should disappear by 2010. Back loading of commitments during the implementation period should be strictly prohibited. In the case of developing countries, the complete elimination of these instruments should take place over longer implementation periods.

2. Food aid should be provided exclusively in grant form and not be linked, either explicitly or implicitly, to commercial transactions or services of the donor country. The use of in-kind food aid should be limited to situations of acute local food shortage and/or non-functioning local food markets, where regional purchase is not possible. In all cases food aid should only be provided in response to calls from relevant institutions like the UN.
3. Government-sponsored export credit programs should be eliminated and replaced by an international mechanism that provides guarantees and financing for developing countries in need.

4. Given special development needs, there should not be any WTO disciplines on State Trading Enterprises in developing countries that would restrict monopoly powers or governments’ ability to finance or underwrite losses.

5. The Marrakech Decision on Net Food-Importing Developing Countries should be implemented by ensuring that:
   - If, due to the effect of the Doha Round, or through simple market forces, food prices increase, a food import financing facility is made available to developing countries to help them subsidize food imports;
   - Increasing amounts of development aid are made available to relieve food supply constraints and develop the efficient local production of staple foods, so that NFIDCs are less dependent on imports.