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**The Doha Agricultural Market Access Negotiations:  
Remaining Conceptual, Practical, and Technical Issues**

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## **The Doha Agricultural Market Access Negotiations: Remaining Conceptual, Practical, and Technical Issues**

### **Abstract**

Before the World Trade Organization's (WTO) Doha round of multilateral trade negotiations can be concluded negotiators will need to agree on a host of market access issues, including the size of tariff cuts, a methodology for opening tariff quotas in the case of products exempted from applying full tariff cuts, and the amount of flexibility to be provided under special and differential treatment for developing countries. Each of these issues harbours a number of complex problems that will have to be addressed. How these are resolved could have significant impacts on the actual level of market access created by the final agreement. This paper analyses the extensive inventory of outstanding issues yet to be resolved if an effective outcome is to be reached.

### **Introduction**

The Doha agricultural negotiations have been contentious from the outset, with the market access debate arguably the most challenging of the three agricultural negotiating pillars; the other two are domestic support and export competition. The basis for the agricultural market access negotiations is the mandate set out in the Doha Ministerial Declaration (adopted on 14 November 2001), which commits members to "substantial improvements in market access for all products." At the same time, Members agreed, "special and differential treatment for developing countries shall be an integral part of all elements of the negotiations" and that "non-trade concerns will be taken into account in the negotiations." The search for common ground to accommodate these three goals would test even the wisest and most objective of mediators. For negotiators promoting their country's best interests it has so far proven intractable. In July 2006, after four and a half years, the Doha round of trade negotiations was suspended. At a meeting of trade ministers from many WTO member countries in Davos, Switzerland in early 2007, agreement was reached to restart negotiations in the near future (World Economic Forum 2007).

According to the World Bank, almost two-thirds of the economic gains that would come from dismantling all merchandise trade barriers and the more distorting forms of farm subsidies globally would come from agriculture. Within agriculture, an estimated 93 percent of the gains would come from eliminating import tariffs, versus only 2 percent from discontinuing export subsidies and 5 percent from removing domestic support measures (Hertel and Keeney, 2005).<sup>1</sup> Recognizing the importance of reaching an agreement to reduce subsidies and increase market access in agriculture, WTO Members remain committed to resolving their differences and completing an agreement. Technical discussions have continued to take place in Geneva on aspects of the modalities while the round has been suspended. The modalities are the nuts and bolts of trade agreements and include the formulas and other technical parameters for tariff reductions and quota expansions. While there has been substantive agreement on some of the broad aspects of these modalities, most of the specifics have yet to be finalized. They cover a multifaceted set of intricate issues and the way in which each is finally resolved will have significant implications for the level of market access provided.

Our objective in this paper is to carefully review the numerous outstanding market access issues being discussed. It is hoped that this effort can shed some light on why negotiators have been proceeding cautiously in arriving at agreement and why there is still a need for judicious and meticulous work before an agreement can be reached. From this catalogue of issues, we will also draw out some areas where the agricultural economics community can make a substantial contribution.

We categorize these issues as conceptual, practical, or technical. In actuality, these categories may overlap and there is some uncertainty as to where each issue is best placed. A general distinction, however, can be made across the categories. Conceptual market access issues tend to be broader in scope and form the foundation of what is considered attainable in the negotiations. Practical issues tend to revolve around the need to settle on what specific approach or direction will be taken in the negotiations. In many cases, they must be resolved before a solution is achievable at the technical

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<sup>1</sup> Other studies have attributed lesser proportions to market access, but all agree that the bulk of welfare gains come from eliminating policies in this pillar.

level. Technical issues tend to cover matters that deal with narrowly defined questions. Many are issues that must be addressed before members can prepare their "schedules of concessions" which detail specific commitments – including tariff cuts – each Member makes as a result of trade negotiations.

We stress that this represents our own interpretation of progress in the agricultural market access negotiations and does not necessarily reflect the view of our respective governments or employers. Most of our observations are based on three key WTO documents – the Doha Ministerial Declaration of 14 November 2001 (WTO 2001), the General Council Decision of 1 August 2004 (WTO 2004 - also called the "July Framework"), and the Hong Kong Ministerial Declaration of 18 December 2005 (WTO 2005). Also important is the paper prepared by the Chair of the WTO's Committee on Agriculture, Ambassador Crawford Falconer (New Zealand), entitled "Draft Possible Modalities in Agriculture" (WTO 2006a) and the report of the chair of the negotiating group on market access (WTO 2006b). The market access portion of the Hong Kong text is reproduced in the appendix.

### **Conceptual Issues**

With global agricultural tariffs averaging over 60 percent and with extreme tariff dispersion across countries and products – some having very high tariffs and others very low – this difference in tariffs clearly influences the amount of agricultural production in different countries, the pattern of world trade and the prices that farmers receive globally. In addition, numerous instances of tariff escalation occur, where tariff rates are based on the level of processing within a product, with primary products being levied the lowest rates (see Burman et al, 2001 and Sharma, 2006b). By encouraging imports of relatively unprocessed agricultural commodities at the expense of more processed products, importers seek to protect domestic processing industries and capture value added locally.

Very early in the negotiations, WTO Members decided that they would attempt to address these two very important conceptual market access issues – the existence of extreme or peak tariffs and tariff escalation – by using a harmonization tariff cutting formula which would apply larger percentage cuts to higher tariffs, resulting in tariffs being closer together after the cuts are applied. While this was both an ambitious and

admirable decision it has undoubtedly prolonged the negotiations. Members could have opted instead to use a simple linear tariff cutting formula which would have lowered all tariffs by the same percentage, as had been done in the Kennedy Round of multilateral trade negotiations. Alternatively, Members could have applied the Uruguay Round agricultural tariff cutting formula, which allowed countries to choose their own reduction for each tariff line (subject to a minimum cut and a requirement to achieve an average tariff reduction across all lines). Neither of these alternatives would require agreement on how to treat different types of tariffs or require agreement on critical cut off points for larger tariff cuts. Either option would have been easier to negotiate. However, neither a simple linear cut nor the Uruguay Round formula addresses the dual problems of tariff dispersion and tariff escalation and the latter formula could potentially exacerbate both.<sup>2</sup> After considering numerous complex harmonization formulas, WTO Members agreed on an approach that allocates tariffs by size into four tiers, with the top tier containing the highest tariffs being reduced by the greatest amount and the bottom tier containing the lowest tariffs being reduced by the smallest amount.

Another conceptual issue was what to do with the tariff quotas (also referred to as tariff rate quotas or TRQs) that were created during the Uruguay Round. In cases where non-tariff barriers had been converted to tariffs, countries were required to create tariff quotas. These tariff quotas were designed to allow at least a minimum level of additional trade to occur even when tariffs were bound at prohibitively high levels. Moreover, where exporters enjoyed preferential access in the past, this was protected by the provision of quota allocations within the tariff quotas. These tariff quotas were hardly the “jewel in the crown” of the WTO Agreement on Agriculture as they can lead to government intervention in agricultural trade and provide incentives for rent-seekers to lobby for them to be kept in place (Josling, 1998).

There are essentially two ways to address the problem of tariff quotas or make them less relevant. If the over-quota tariff is prohibitive, it can be reduced to a level where trade in excess of the quota begins to occur. In this case, the quota will still provide

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<sup>2</sup> It is worth noting that there is an element of harmonization in a linear tariff cutting formula in that a flat percentage cut across all tariffs results in a greater percentage cut in the duty-paid import price for higher tariff items than for lower tariff items.

rents to those who hold the rights to import under it, but the over-quota tariff will determine how much trade takes place. Alternatively, one can expand the quota to a level where it is no longer effectively limiting trade. Generally, negotiators decided to focus on reducing the over-quota rate using the tiered formula rather than increasing the quota. Expanding existing quotas to achieve additional trade would also have required either eliminating the in-quota tariff or reducing it to a level that would ensure the expanded trade occurred. Likewise, negotiators would have had to focus on disciplining the administration of tariff quotas in order to assure that the quotas were being given every opportunity to be filled. While they chose not to require Uruguay Round tariff quotas be expanded, they are considering whether to bind and reduce or eliminate in-quota tariffs. Negotiators will also discuss the issue of disciplining the administration of tariff quotas.

Another conceptual issue is a requirement to address non-trade concerns in the Doha mandate (WTO 2003). The Uruguay Round tariff cutting formula provided Members with extensive flexibility to subject the tariffs on their most politically sensitive products to minimal cuts (15 percent for developed countries, 10 percent for developing countries). In the view of some WTO Members, flexibility for politically sensitive products had been codified in Article 20(c) of the WTO Agreement on Agriculture through wording to take into account non-trade concerns, a commitment reaffirmed in the Doha Ministerial Declaration (WTO 2001). An early attempt by the then Chair of the WTO's Committee on Agriculture, Ambassador Harbinson from Hong Kong - China, to provide flexibility within a formula that cut high tariffs by greater amounts was proposed in March 2003 and was roundly rejected (WTO 2003). In its place, it has been agreed to allow Members to designate a limited number of tariff lines as Sensitive Products (SePs<sup>3</sup>), subject to lower reduction commitments with the deviation, or lower cut, being "paid for" by tariff quotas to ensure that improved market access will be achieved for all products.<sup>4</sup>

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<sup>3</sup> This conference paper provides readers with a guide to the extensive list of abbreviations typically used in the negotiations and related papers, but in most instances the full term is used in this paper. The authors feel that such a guide will provide readers with an enhanced ability to understand and compare WTO related papers – but that the use of the full terms improves the flow and readability of this paper.

<sup>4</sup> There is still some question about whether, for some Sensitive Products, the reduced tariff cut may simply be subjected to a shorter implementation period, rather than opening a quota. Alternatively, for

As mentioned, the Doha Ministerial Declaration requires that “special and differential treatment for developing countries shall be an integral part of all elements of the negotiations.” Early in the negotiations, consultations were held on the creation of a “development box” to contain special and differential (S&DT) provisions that would apply only to developing countries. In particular, the development box would give greater latitude for developing countries’ agricultural support measures. At this stage in the negotiations, demands for an explicit development box have been muted, although one of the early development box proposals, to allow each developing country to designate a limited number of tariff lines in their tariff schedule as Special Products (SPs), has been agreed. Special Products will be either subject to lesser cuts, totally exempt from cuts, or a mix of the two (a proportion exempt and the rest subject to lesser cuts). There has also been discussion to create a Special Safeguard Mechanism (SSM), which would allow developing countries to temporarily impose higher tariffs on certain products in the event that import volumes exceed or import prices drop below some recent historical average.

As mentioned, not all of the conceptual issues raised by Members will necessarily be dealt with in these negotiations. Some are on the table, so to speak, in that they are mentioned in the Chairman’s reference paper on market access (WTO 2006a), although they have not been subject to much discussion. Others have not been part of the negotiations, but have been discussed in previous multilateral trade talks and are seen to represent potential impediments toward maximizing market access once a final agreement is negotiated. One conceptual issue, however, that was considered and rapidly dismissed by most Members was a proposal that tariff reductions be made off the actual most-favoured-nation (MFN) tariff that countries applied to their imports rather than the bound tariff. Many countries, particularly developing countries, apply tariffs on their imports that are considerably below their allowable bound rates. Making cuts to the applied tariff would ensure that the goal of substantial improvements in market access for all products was achieved. Despite this, it would be unprecedented to require countries that were unilaterally applying lower tariffs to

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| some Sensitive Products, the Member might be allowed to take the full cut required by the tiered formula, but over a longer implementation period. No final decision has been made on these options.

make cuts that would be effectively deeper than their counterparts who were applying tariffs at the bound rate.

A conceptual issue still under active consideration is whether to require Members to simplify their agricultural tariffs. The simplest and most frequently used tariff type is the *ad valorem* tariff, under which the duty is expressed as a percentage of the value of the good. However, there are a number of other types of tariff, which are more complex and can be much less transparent (see box on tariff formulations). Many economists have stressed the advantages of increasing transparency in tariff schedules by curbing the use of tariffs that are not expressed in *ad valorem* terms (see for example, Laird, 1998; Gibson, et al, 2001; and Bureau and Salvatici, 2004). Moreover, economists have demonstrated that non-*ad valorem* tariffs can have an *ad valorem* equivalence that is larger for developing country exports than for similar products exported by developed countries. One analysis of U.S. specific agricultural tariffs computed the ratio of these duties to the average unit value of imports for over 300 tariff lines at which both groups of countries were competing (Wainio and Gibson, 2004). The results showed that the average *ad valorem* equivalent was equal to 8.3 percent for developing countries and only 2.5 percent for similar products from developed countries. The 230 percent difference is largely a function of the import unit prices for developing country products, which tended to be lower than for similar products from developed countries.

There is much to be said for simplifying tariff regimes by requiring that all tariffs be expressed in *ad valorem* terms. Alternatively, for agriculture, Members may agree to limit the formulation of non-*ad valorem* tariffs to a simple specific rate (no complex or technical tariffs would be allowed). Market access negotiations on general goods other than agricultural products (generally called NAMA for non agricultural market access – note that NAMA also covers fish and forestry products) have covered a number of the same issues facing the agricultural negotiations. For example, the NAMA negotiations have agreed to convert all non-*ad valorem* tariffs to *ad valorem*

equivalents apply a harmonising Swiss type formula<sup>5</sup> and bind the resulting tariffs in ad valorem terms (WTO 2006b).

### **Tariff Formulations**

In addition to *ad valorem* tariffs, which are levied as a proportion of imports, there are specific tariffs, under which the duty is fixed as a value for a physical unit, such as \$50 per ton or 10 Euros per hectolitre. Mixed or compound tariffs are a combination of specific and ad valorem rates, for example, \$50 per ton *plus* 20 percent (of the value of the product). Mixed tariffs may be expressed in other ways as well, such as \$50 per ton *or* 20 percent, whichever is the greater.<sup>1</sup> Technical tariffs are rates determined by technical factors such as sugar or alcohol content. These tariffs are generally considered the most complex and non-transparent rates, since they depend on information not generally available in trade statistics. Finally, there are tariffs called variable levies, where the duty is generally set to bring the price of an imported product up to a certain level. Under the WTO Agreement on Agriculture, variable duties in agriculture are prohibited, although some countries interpret this as a constraint only if the duty levied exceeds their binding commitment. Countries can achieve a somewhat similar effect without using variable levies by splitting tariff lines for the same product, charging higher rates for lower-priced imports or charging higher rates during times of the year when they want to limit the import of lower-priced imports, such as during the growing season in the importing country (seasonal tariffs).

Tariff schedules would also be simpler and more transparent if all countries bound their tariffs at the HS6-digit level. This is the most disaggregated level at which the World Customs Organization's Harmonized System (HS) nomenclature classifies internationally traded goods.<sup>6</sup> Not only would this simplify assessing the level of

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<sup>5</sup> The Swiss formula is a harmonizing tariff reduction formula which uses a single mathematical formula which, when applied to WTO members' tariff schedules, has the effect of reducing and harmonising all tariffs.

<sup>6</sup> In order to have fully consistent tariff schedules across countries, tariff commitments should not exceed the 6-digit level as defined by the Harmonized Commodity Description and Coding System (generally referred to as the "Harmonized System" or simply the "HS"). The HS is a multipurpose

market access being offered in negotiations by making it easier to analyse tariff and trade statistics simultaneously, it would also provide benefits for trade facilitation and enhance the ability of members to monitor and protect the value of tariff concessions in the WTO (Bureau and Salvatici, 2004). If countries did bind tariffs at the HS6-digit level, countries would still be able to apply different tariff rates at a more disaggregated level as long as they do not exceed the bound level. Despite the advantages of requiring Members to bind their tariffs at the HS6-digit level, we are unaware of any proposals which favour this concept.

Another conceptual market access issue not on the agenda but with implications for developing country exports has to do with the price level at which *ad valorem* duties are valued. Australia, New Zealand, Canada, and the United States are among the few countries that assess these duties on an f.o.b. basis. Most countries tend to make the assessment at the c.i.f. level, which means that, all other things being equal, duties are higher in countries paying higher-than-average transport costs, such as land-locked countries.<sup>7</sup> Requiring duties to be paid on transport and insurance as well as on the value of the product discriminates against trading partners based on geography and other factors. Simply requiring countries to use an f.o.b. valuation base would lower tariff barriers and ensure that *ad valorem* tariffs in countries like Japan and the European Union did not have a greater protective effect than identical rates in Australia or the U.S.

In his paper on possible modalities, the current chair of the WTO agricultural negotiations, Chairman Falconer, cites a proposal to make provisions for negotiating “the elimination of non-tariff measures affecting trade in commodities” (WTO, 2006). It is not clear what non-tariff measures Chairman Falconer is referring to, although in the Doha Declaration, Members agreed to take concrete action to address issues and concerns that have been raised by many developing-country members regarding the

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international product nomenclature developed by the World Customs Organization. It comprises about 5,000 commodity groups, each identified by a six digit code, arranged in a legal and logical structure supported by well-defined rules to achieve uniform classification. The system is used by more than 190 countries or economies as a basis for their Customs tariffs and for the collection of international trade statistics. Over 98 percent of the merchandise in international trade is classified in terms of the HS.

<sup>7</sup> The abbreviations f.o.b. and c.i.f. mean “free on board” and “including costs, insurance and freight to port of destination.”

implementation of the Agreements on Technical Barriers to Trade and the Application of Sanitary and Phytosanitary Measures. There is certainly no shortage of complaints to the WTO about technical and sanitary and phytosanitary measures, the two best known types of non-tariff measures restricting trade in agriculture. Many products are covered jointly by high tariffs and non-tariff measures, so when the tariff is cut imports may not increase without addressing the non-tariff measure.

A related issue has to do with importing state trading enterprises (STEs). WTO rules allow countries to grant “single desk privileges” or monopolies to STEs, although this can create opportunities for import restrictions that could certainly fall under the heading of non-tariff measures. In the negotiations to date, much attention has been focussed on disciplines for developed countries’ exporting STEs, but little attention has been focussed on importing STEs. In many cases, importing STEs have been granted the rights for importing part or all products under a tariff quota. In some instances, these bodies are quasi-government agencies with objectives that could conflict or supersede profit motives and in other cases are actually peak farm groups or national commodity associations. In these circumstances, there can be strong incentives to import less than a market optimum amount or, if the transfer is based on production levels, boost domestic production by transferring rents to domestic farmers.

Finally, it is widely accepted that the Least Developed Countries (LDCs) will be provided a more extensive level of S&DT. In market access this includes exempting LDCs from having to reduce tariffs. There is an important conceptual issue here that, while perhaps too politically sensitive to broach in the negotiations is still worthy of mention here. Is special and differential treatment for developing countries in the form of exemption from tariff cuts or shallower tariff cuts and longer implementation periods really a valuable concession for these countries? It certainly is if one takes a mercantilist approach to trade negotiations, where success is based on the ratio of increased exports to increased imports. Most economists, however, would base success on the level of increased economic welfare and would argue that special and differential treatment in the form of no or limited tariff cuts hampers the ability of developing countries to achieve the welfare gains that would result from their own liberalization.

## **Practical Issues**

Having agreed on the use of a tiered formula for reducing tariffs and tariff disparity, with a working hypothesis of dividing tariffs into four tiers, Members must now decide on the tariff thresholds for defining the tiers and the depth of reduction to be applied in each tier. There is also the practical issue that the tiered formula would leave some very high tariffs in place. Whether to impose an overall tariff cap to address this also remains under negotiation. Finally, there is the need to agree on the base period from which tariff reductions will be implemented as well as the period over which the cuts will take place. The former is only important in those few remaining cases where Members still have tariffs that have not been bound. In these cases, the actual duty applied on a specified date or over some period of time should be used. Likewise, the choice of a base period would have also assumed more importance if Members had agreed to use the applied MFN tariff, which can change over time, as the starting point for tariff reductions. As for the length of implementation period over which tariffs will be reduced, five years appears to be the expected length for developed countries. It is also assumed that cuts will be made in equal instalments, although it has been proposed by some developing countries that a down payment be made by developed countries. In other words, that their cuts be front loaded with deeper cuts made in the early years.

Regarding the goal of reducing tariff escalation, there is the issue of agreeing on a list of primary and processed products. One country has submitted a list that Members may decide to use as a first approximation. It is not clear whether this will be a contentious issue, although there will no doubt be some changes made to the list before it is agreed. After Members prepare their draft Schedules based on the tiered formula cuts and after taking advantage of Sensitive and Special Product provisions, negotiators will have another practical issue to grapple with – will additional cuts be required to tariffs on processed products if they remain above the tariffs on raw materials.

With respect to Uruguay Round tariff quotas, Members may take up the issue of Special Safeguards (SSG), which allow countries, which reserved the right, to levy an additional, time-limited duty on tariff quota products in the event of import surges or low world prices. The Agreement on Agriculture (Article 5, paragraph 9) states that

the SSG will remain in force for “the duration of the reform process” although there is considerable disagreement on what this phrase means and what the original negotiators intended. It was considered a necessary instrument to alleviate the fears of some Members that the removal of non-tariff measures might result in a surge in imports or in a decline in domestic prices if over-quota tariffs did not provide sufficient protection. Some countries have proposed eliminating the SSG, claiming that the use (or abuse) of the measure has limited market access for tariff quota products. In particular, there is the issue of safeguards being imposed when increases in imports are unrelated to international conditions, but rather to domestic crop failures or changes in domestic consumption.

There also remain a number of practical issues to be resolved concerning the provision of Sensitive Products, although much of the remaining detail on this issue is also of a highly technical nature. Sensitive Products will be subject to a lesser reduction than that required by the tiered formula, although there has been no agreement on how much less. It also remains to be determined how this lesser reduction will be “paid for” by Members. The July 2004 Framework agreement (WTO 2004) states that a “substantial improvement” in market access for Sensitive Products will be achieved through a combination of tariff quota commitments and tariff reductions. This may result in the creation of new tariff quotas, although it has also been proposed that, in some cases the reduced tariff cut on the Sensitive Product might be implemented over a shorter period, or the full cut implemented over a longer period, in lieu of a quota commitment. Negotiators are now considering numerous technical approaches to deal with tariff lines without existing quotas which may be designated as Sensitive Products. In addition to technical issues, there are the practical ones of whether the quota will be available on a MFN basis, whether the quota administration method will be circumscribed in some way, and whether the in-quota tariff will be bound at zero or left for Member’s to set at a level low enough to allow the quota to fill as was supposed to have been done with the Uruguay Round tariff quotas.

There also remains to be agreed the number of tariff lines that each Member will be allowed to designate as a Sensitive Product. This could have been a relatively straightforward number to negotiate if Member’s Tariff Schedules were all bound on

the consistent basis of the HS6-digit level. While many are, there are also several Members that have bound their agricultural tariffs at the HS8-digit, or a more disaggregated, level. This means that some Members can have significantly more tariff lines than others, so there is an equity issue if the number of Sensitive Products is based on a proportion of all lines. Likewise, Chairman Falconer has pointed out that any fixed percentage or number of tariff lines can lead to very different levels of trade coverage, with some countries being able to cover a high percentage of trade under the Sensitive Product status and others only a low percentage (WTO, 2006a). There is also a question of whether this proportion would be based on all lines or limited to only lines with non-zero tariffs. Finally, there is the practical issue of whether Sensitive Products will have a limited life or whether their “special status” will carryover to subsequent multilateral trade negotiations.

It should not be a surprise that in the broad area of S&DT provisions that practical issues abound. The most common forms of S&DT provisions involve lower tariff cuts and longer implementation periods for developing countries. However, there are several ways to measure these provisions when it comes to tariff cuts. During the Uruguay Round, developed countries were required to cut their agricultural tariffs, on average, by 36 percent and developing countries by two-thirds of that amount, or 24 percent. As the two-thirds amount is considered somewhat of a norm for S&DT on tariff cuts, there is some practical appeal to subjecting each tier for developing countries’ tariffs to two-thirds the cut required for developed countries. But, applying a formula that cuts higher tariffs by greater amounts suggests that countries with the highest bound tariffs will be required to make the deepest average cuts. In general, countries with the highest bound tariffs tend to be developing countries, which could result in some developing countries having to impose average cuts across all tariffs that are more than two-thirds of those required for some developed country counterparts. This could be an issue for negotiators should developing countries insist on using the Uruguay Round measure to gauge the S&DT they receive (Sharma, 2006a).

Applying higher tariff thresholds to define the tiers for developing countries may somewhat ameliorate this problem, as could the choice of a tariff cap, should one be agreed. A related issue arises from the fact that some developing countries have

ceiling bindings with homogeneous or uniform tariffs at high levels, such as 100 or 200 percent. If their entire tariff schedule falls into the tier subject to the deepest cuts, should they be subject to those cuts, especially since they will have access to both the Sensitive and Special Product exemptions? Or, should they be allowed to distribute these tariffs across the various tiers, as has been proposed by some affected countries?

With regard to the Special Products option, some of the practical issues to be decided are similar to those for Sensitive Products. There is a need to agree on the number of tariff lines eligible for Special Products status, the depth of cut for these tariffs and whether some will be exempt from any cut, whether some market access will be required in the form of a quota, and whether Special Products status will have a limited life. There has also been considerable discussion of how these products will be identified. Agreement appears to have been reached that developing countries will have the flexibility to self-designate tariff lines for Special Products status based on the criteria of food security, livelihood security, or rural development (WTO 2005). Considerable work remains, however, in determining meaningful indicators that are accurate enough for this purpose.

Another practical issue has to do with whether the level of S&DT should be the same for all developing countries. Without question, the least developed countries are to be accorded a different level of S&DT, but there have also been proposals to provide some additional form of S&DT to other countries including small, vulnerable economies and recently acceded members. A more controversial proposal, however, is whether the richer developing countries be granted a lesser amount of S&DT - particularly those with modern and efficient agricultural sectors, or those that are significant net food exporting countries, to use a definition from an early joint proposal by the US and EU. There are a number of problems associated with doing this, not the least of which would be the potential for countries to have one status in the agricultural negotiations and another in the non-agricultural negotiations. On this issue, it is possible no agreement will be reached, although the richer developing countries may be willing to make greater concessions toward LDCs than their less wealthy counterparts.

There is already acceptance that both developed countries and “those developing countries in a position to do so” will implement duty-free and quota-free market

access for products originating from least developed countries. How and when this will be implemented is yet to be agreed, although there is agreement that countries that are not in an immediate position to extend this market access on all least developed country imports will be able to temporarily limit it to 97 per cent of products originating from LDCs, defined at the tariff line level, (WTO, 2005). Even though there could be rules-of-origin requirements that could limit this trade opportunity, it would still appear to be a more practical and valuable form of S&DT than allowing least developed countries to forego cutting their own tariffs, thus missing out on the benefits they would get from their own liberalization.<sup>8</sup> However, even this concession implies unintended consequences.

Countries that already benefit from non-reciprocal tariff concessions have raised a concern that they would be hurt if the margins of preference on their imports are cut. As a result, another of the practical issues being grappled with in the market access negotiations is whether there will be any attempt to mitigate this or provide some sort of compensation for developing countries that see their exports decrease or prices fall when preferential margins are eroded. The importance of long-standing preferences is fully recognized in these negotiations and proposals regarding preference erosion have been made and discussed. One proposal has even linked the selection of Sensitive Products in developed countries to developing country exports that have been subject to longstanding non-reciprocal tariff preferences. There is also a proposal for longer implementation periods for these products, although Members are far from converging on this issue. This will surely also be a concern in later multilateral trade negotiations for products from least developed countries that benefit from duty-free and quota-free access.

There are also practical issues associated with the Special Safeguard Mechanism to allow developing countries to temporarily impose higher tariffs on certain products in the event that import volumes exceed or import prices drop below some recent historical average. How many products will be allowed access to the SSM and will

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<sup>8</sup> Rules-of-origin are administrative requirements that define the proportion of local content required in any product for that product to qualify for preferential market access and detail the documentary evidence required to access the preferential tariff. Rules-of-origin can limit the ability of developing countries to import raw materials from third countries and export the processed final product.

there be criteria attached to SSM access? As with Sensitive and Special Products, will the SSM have a limited life or take on the sort of permanency associated with the Uruguay Round Special Safeguard?

In addition to considering whether the level of S&DT should be the same for all developing countries, there has also been discussion about different levels of S&DT across commodities. In the General Council Decision of 1 August 2004, Members agreed that, “Full implementation of the long-standing commitment to achieve the fullest liberalisation of trade in tropical agricultural products and for products of particular importance to the diversification of production from the growing of illicit narcotic crops is overdue and will be addressed effectively in the market access negotiations (WTO, 2004).” Coming up with a list of products eligible for this “fullest liberalisation of trade” has proven controversial as there are few agricultural goods not farmed between the Tropics of Cancer and Capricorn.

The Doha agricultural negotiations have also seen cotton singled out for possible special conditions – including market access. In response to proposals from four African countries (Benin, Burkina Faso, Chad, and Mali), WTO members set up a Cotton Sub-Committee within the negotiations to focus specifically on issues and government policies that impact on the world cotton market. Singling out specific sectors for special treatment is not without precedent in multilateral trade negotiations. During the Uruguay Round, countries agreed to reduce tariffs to zero in numerous sectors including agricultural machinery, beer, certain chemicals, construction equipment, distilled spirits (brown), furniture, medical equipment, paper, pharmaceuticals, steel, and toys (Laird, 1988).<sup>9</sup> Sometimes referred to as the “zero for zero” approach, sectoral initiatives to eliminate government intervention are considered a useful complement to tariff negotiations by export-oriented countries.

Another zero tariff issue relates to “nuisance” tariffs in the agricultural negotiations. It has been argued that extremely low tariffs are nothing more than a nuisance that add

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<sup>9</sup> Unlike general tariff cuts, sectoral initiatives within the WTO are an informal Member-driven process and are considered voluntary. Not all countries agreed to reduce their tariffs to zero in these sectors. In the case of the cotton negotiations, however, all countries have accepted the special negotiating focus being placed on this sector.

to paperwork but may not provide substantial tariff revenue to the importing country. In the past, negotiators have considered requiring tariffs below a certain level to be eliminated. While this practical issue has been raised in the non agricultural market access negotiations, no reference has been made to such initiatives in the agricultural negotiations.

The main outstanding issues to be dealt with in the NAMA negotiations are also outstanding issues for the Agricultural negotiations. These include the final form of the tariff reduction formula – for NAMA a choice between two Swiss-style harmonization formulas – the size of tariff reductions, how to implement S&DT provisions and how to treat newly acceded members (WTO 2006b). Negotiators are also attempting to implement further tariff reductions based on industry sectors, a request-and-offer process<sup>10</sup> and voluntary reduction of existing low tariffs. In addition, they have also agreed to present new schedules in the 2002 version of Harmonized System of tariff nomenclature.

### **Technical issues**

In cataloguing and describing some of the conceptual and practical issues facing negotiators, we've also touched on some of the reasons why it has been so difficult to find common ground on these issues. Analysing the technical issues facing negotiators only serves to emphasize the complexity of their task.

Once negotiators agreed that they would subject higher tariffs to deeper cuts, they were faced with the need to calculate *ad valorem* equivalents (AVEs) for non-*ad valorem* tariffs in order to determine the size of cut to apply to each tariff. As calculation of AVEs is not an exact science, Members ended up spending considerable time agreeing on an approach that would address everyone's concerns and substantial additional time in calculating the AVEs. First, there was need to agree on a base period for the prices used to calculate AVEs. Periods in which world prices were relatively high would imply lower AVEs and thus lower tariff cuts. In the end, it

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<sup>10</sup> In a request-and-offer negotiation, a country will target specific tariffs they would like to see reduced by other countries and offer to reduce some of their own tariffs in return.

was decided to choose average prices during the 1999-2001 period – primarily to ensure consistency between data on trade prices and tariff lines.

The source of the price data for calculating AVEs was also an issue, with some countries wanting to use individual country import unit values at the disaggregated tariff line level and others preferring to use world import unit values at the HS6-digit level. Using individual country data would require proxies when no data existed or the data was clearly erroneous (no imports occurred at that tariff level over the 3-year period or irreconcilable divergences existed in the magnitude of import unit values) and could result in AVE estimates that were biased downward when import unit values were inflated due to the existence of rents. This was especially the case for some products where most or all trade was occurring under tariff quotas and/or preferential trade arrangements. In the end, it was agreed to use individual country import unit values, but with a series of filters to identify AVE calculations that might be biased downward. When potential bias was detected, a blended AVE would be calculated based on a weighted composite of individual country and world import unit values.

Despite the considerable technical work already done in arriving at a methodology for calculating AVEs, several issues remain before the task is complete. There is still a need to agree on the treatment of raw and refined sugar tariff lines, two products identified as being so biased by government policies that average traded prices in the world are not representative and so a unique methodology is required. There is also the need to agree on how one approximates an AVE in cases where insufficient information exists to utilize the agreed methodology. Sharma (2006a) has identified a number of difficulties one faces when calculating AVEs even when import values are not inflated. First, there is the issue of how to deal with missing import values. In some cases it is impossible to convert import unit value into the units used for the specific bound tariffs. This is due to the use of different units such as “per item” in the case of the tariff and “per kg” in the case of the import unit value. In other cases specific bound tariffs can only be roughly approximated because the level of detail required in the trade data is not available. This is commonly the case with technical tariffs that assess the duty on the “percentage volume of alcohol per hectoliter” or some other component. For some countries, there are different levels of aggregation

between their tariffs and trade information, for example, with one being available at the HS-6 level and the other at the HS-8 level. Some tariffs are mixed, containing two specific components based on different units and cannot be converted to the same unit.

Negotiators agreed that the AVE calculations would be carried out by Members themselves, rather than by the WTO Secretariat. This decision brings with it the possibility that the AVEs countries would submit might not reflect those produced through a more consistent or precise treatment. In some of the cases listed above Members must make a subjective decision on what to do in order for a calculation to be made. As a result of these problems, each country's calculations will have to be checked and agreed by all Members, a further time-consuming process. Preliminary work has already revealed some anomalies in calculations, raising questions about the validity of some estimates. Of course, none of this would have been necessary if all tariffs had previously been restricted to an *ad valorem* form.

Once AVEs have been calculated, there remain serious technical issues with respect to the tariff thresholds used to define each tier and the depth of cut to apply to each tier. One question is whether there will be harmonization of tariffs within tiers, as one country has proposed, or whether there will be only one reduction rate per tier. The latter is simpler but can result in huge discontinuities when applied on tariffs found on either side of a threshold. For example, the tariff on product A in tier 2 will be larger than that of product B in tier 1 before the cut but smaller after the cut. In some cases the discrepancies can carry over three tiers. One of the tiered formulas being considered would place an initial tariff of 50 percent in tier 2 and subject it to a cut of 55 percent, thus reducing it to 22.5 percent. An initial tariff of 76 percent, however, would be placed in tier 4 and subjected to a cut of 75 percent, thus reducing it to 19 percent, or 3.5 percentage points below the tariff that was 50 percent before reduction!

Another very thorny technical issue still to be resolved is the formula for calculating tariff quotas in the case of Sensitive Products. Perhaps the most difficult matter is deciding the basis for the quota. Where an Uruguay Round quota already exists for the product in question, it makes some sense to use it as the basis and to expand the quota by some proportion. Another proposal uses the greater of the quota or current

imports during some base period, relative to domestic consumption, as the basis. There are, however, several pervasive complications, not the least being severe data limitations. In particular, using domestic consumption in the formula is problematic since consumption data at the tariff line level usually does not exist. This is further complicated by the fact that many quotas include products from numerous tariff lines or that some tariff lines show up in more than one quota. Should Members be allowed 'partial designation' in these cases, or must they declare all tariff lines within an existing tariff quota as Sensitive Products? In all likelihood, the formula will also need to calculate the new or expanded quota based on varying tariff cut deviations from the tiered formula and based on the amount of current market access (hence the suggestion that either the quota or imports be relative to domestic consumption).

In the case of Special Products, Members will be faced with a complicated technical issue if they decide to limit these products based on some of the suggested economic criteria. It has been suggested that, in order to qualify as a Special Product, a product should be contributing to a country's food security, livelihood security, or rural development. However, empirically demonstrating this is a complicated task, as the needed data is often sparse or of questionable reliability and concepts such as rural development are open to a wide degree of interpretation.

While the list of outstanding technical issues represent a series of tasks that will require extensive analysis, additional technical analysis is likely to be required to complete the negotiations. As negotiators deal with outstanding conceptual issues, the list of technical challenges will expand beyond the list identified in this paper.

### **Issues for Economists**

As trade economists, we are keen to have the Doha Round concluded and for the final outcome to reflect economic principles. Based on the catalogue of technical, practical and conceptual issues outlined in this paper, there are challenges for economists as well as opportunities available to have a greater sway in the negotiations.

As Goldin and Knudsen (1990) have pointed out, the extent to which economic analysis of agricultural trade liberalization relies on global models far exceeds that which is standard in policy analyses. To be manageable, these models have to distil

the complexity of the world agricultural economy into an operational system with parameters and coefficients that capture the key interrelationships between policies and economic variables. Even the most complex models still capture only a stylized reflection of reality.

One of the many technical challenges facing economists is deciding on the level of commodity aggregation to apply in quantitative analyses of proposals and potential trade outcomes. Typically, most quantitative analysis undertaken by trade economists has been highly aggregated in terms of countries and commodities. Trade negotiators, on the other hand, are dealing with individual tariff lines and quotas and are dubious of analysis undertaken at very aggregate levels. Analysis by Buetre et al (2004) indicated that there is some basis for concern, with wide disparity in estimated impacts of the same hypothetical tariff cut depending on the level of aggregation used in modelling. Some work has been undertaken to address negotiators' concerns, but more work is required.

The three main means used to address negotiators concerns are undertaking analysis on a tariff line basis; working to improve the accuracy of the tariff aggregation procedure; and developing tools to apply tariff cuts at very disaggregated levels and calculate equivalent aggregate tariff reductions for use in existing models.

At the 2006 Global Trade Analysis Project (GTAP) conference, Grant, Hertel and Rutherford (2006) presented a paper in which a general equilibrium model had been modified to allow for tariff line level analysis of tariff reductions for US dairy products. While this work covers a single commodity group in only one country, a proposed session at the 2007 GTAP conference has been dedicated to modelling agricultural protection at the individual tariff line level. As such, further work in this direction is underway.

There are a number methods that have been developed to apply cuts at the tariff line level and calculate aggregated policy shocks for inclusion in existing models. For agriculture, a collaboration between the International Trade Centre, UNCTAD and Centre d'Etudes Prospectives et d'Informations Internationales (CEPII) resulted in the development of MacMaps. MacMaps is a database of tariffs with tools for applying tariff cuts and calculating the resulting weighted cut for use in models such as GTAP

(Bouët et al 2005). ABARE has also developed and utilised a similar system in recent analysis of agricultural trade issues (see McDonald et al 2006). The Productivity Commission (Forbes et al 2004) developed a similar tool for the non agricultural market access negotiations which is available for use (<http://www.pc.gov.au/work/trade/itas/index.html>). All three systems have incorporated information on bound and applied tariffs to improve the applicability of analysis for WTO negotiations.

Some of the concerns that have been expressed about these systems are that they do not adequately deal with the interaction between tariff cuts and tariff quota expansion (for the agriculture related tools); that there is still a discrepancy between the level of tariffs in the negotiations and the level at which tariffs are represented in modelling systems<sup>11</sup>; and that there is no information detailing that the aggregated tariff cuts used in subsequent models will adequately reflect the complexity of a proposal. More work is needed to demonstrate that these systems can provide accurate and timely information to negotiators.

Some work has also been undertaken on improving the ability of models to represent aggregate tariffs accurately in trade models. Bach and Martin (1997) reviewed the existing methodology and proposed an improved method for calculating aggregate tariffs. This approach spells out a methodology for using readily available information to calculate aggregate tariffs that more accurately reflect the average protective burden than can be achieved using simple or weighted averages. However, this approach has had negligible impact on the negotiations where discussions typically revolve around simple average tariffs.

Based on the extensive work that has been undertaken to date, a range of issues require work by trade economists, most notably:

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<sup>11</sup> Both MacMaps and the publicly available version of ITAS have tariff information at the HS 6 digit level. For ITAS, more detailed tariff information has not been supplied because the WTO – which kindly allowed the data to be used – has an agreement with members that the data members supply to the WTO will not be made generally available below the HS 6 digit level (Forbes et al 2004).

- further work on applying tariff cuts at the tariff line level in quantitative analysis;
- extensive work on addressing the interaction between tariff cuts and quota expansions (given that quotas frequently cover more than one tariff line); and
- analysis of the implications of differences in the HS 1992, 2002 and 2007 nomenclature for assessing tariff cuts.

Two other areas also deserve significant attention from trade economists. More effort is needed on providing economic perspective to the complex issues being negotiated in Geneva as well as persuading trade negotiators, under growing pressure to reform their country's policies, of the value of analytically based insights into the potential costs and benefits of trade liberalization. For this work to have an impact it is important that it be presented in a concise and accessible format for negotiators. The second area of attention is on assisting developing and least developed countries attain the capacity to analyse all issues being negotiated. The Cancun WTO ministerial meeting demonstrated that developing countries were not willing to agree to reforms that they could not satisfy themselves would be beneficial to them. There appears little scope for concluding the current round of negotiations unless all countries are confident in the quantitative analysis they are undertaking. Only trade economists can provide the training and support for developing countries – while work has occurred in this area, this is an area that our profession needs to make more effort in if a successful conclusion to the round is to be achieved.

### **Concluding Comments**

It has now been over five years since WTO Members began what are the most comprehensive agricultural negotiations to date and still there is no end in sight. While some may question if the political will exists to bring these negotiations to a conclusion, the complexity and level of detail in the issues being discussed has also contributed to the inability to reach agreement. In particular, it has undoubtedly strained the technical and administrative capacity of many of the WTO's smaller members, thus further contributing to the slow pace of the negotiations.

While there has been some progress in the negotiations, there remain a number of complex issues to be resolved before an agreement can be reached. Some of these

issues can be easily resolved, but it is fair to say that, despite intensive discussions, negotiators remain considerably apart on a host of issues, including the tariff thresholds for each tier and the level of cut within each tier, Sensitive and Special Products, treatment of tropical products and products of particular importance to the diversification of production from the growing of illicit narcotic crops, and treatment of long-standing trade preferences and tariff escalation. The problems each of these issues pose are compounded by the fact that they are all interrelated.

Nevertheless, most would agree that what is already on the table represents progress toward an agreement that could deliver improvement in market access for agricultural products. In reviewing the positions of major participants after the suspension of the negotiations in July, Gifford concluded that the reductions being considered in tariffs and subsidies are already well in excess of those negotiated in the Uruguay Round (Gifford, 2006). While some might consider this an indictment of the Uruguay Round achievements, the level of tariff cuts being discussed also compares favourably to the coverage and depth of cuts achieved at the Tokyo and Kennedy Rounds.<sup>12</sup>

The apprehension felt by some that the level of market access created does not meet the goal of “substantial improvements” is not without justification, however, as some WTO Members are proposing a level of flexibility be granted to exempt certain products from tariff cuts or cut these tariffs by lesser amounts that could significantly weaken the final agreement. Any exemptions would dilute the final agreement; the range of exemptions being proposed by some could gut it. As mentioned, two objectives of the Doha Round are to reduce tariff dispersion and tariff escalation. But, many of the tariff peaks targeted for the deepest cuts will be the very same tariff lines chosen for Sensitive Products and Special Products status. Negotiators need to be

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<sup>12</sup> The Uruguay Round delivered average agricultural tariff cuts of 36 percent for developed countries and 24 percent for developing countries. The Tokyo Round succeeded in cutting global industrial tariffs by an estimated 35 percent. In the Kennedy Round, participants agreed to a 50 percent across-the-board reduction in industrial tariffs for all but a group of exempted products. After all the exceptions were negotiated, industrial country tariffs on manufactured items were reduced by an estimated 35 percent on average (Baldwin, 1987). Neither the Tokyo nor Kennedy Rounds resulted in cuts for agricultural tariffs.

wary of a tariff cutting formula that yields post-Doha tariff profiles similar to what could be achieved under a simple linear tariff cutting formula.

Finally, there is the considerable amount of technical work associated with understanding the ramifications of multilateral trade reform for each Member. Each country must determine which, of the numerous market access formulas and the coefficients and variables that are utilized by these formulas, yields the best outcome for them. The depth of tariff cuts is only one criterion to be considered when estimating the economic value of a tariff cutting formula. A better measure is the likely expansion in trade, still better is the likely expansion in economic welfare to the country as a whole. To estimate the trade and welfare impacts of tariff cuts some nations employ trade projection models. One problem facing all multilateral trade negotiations is the highly uneven technical expertise across the participants. In recognition of the need for developing countries to be able to generate their own empirical information, the UNCTAD Secretariat developed a partial equilibrium trade projections model during the Uruguay Round. The WTO has also attempted to fill the gap in expertise between rich and poor countries with training and provision of resources, but much more still needs to be done. One of the lessons negotiators might take from the Doha negotiations is the need to provide ample technical support to developing countries in order to satisfy them that they are signing on to an agreement that is consistent with their development objectives.

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## APPENDIX

### Market Access section of Hong Kong Ministerial Declaration

WT/MIN(05)/DEC

22 December 2005

#### DOHA WORK PROGRAMME

##### Ministerial Declaration

Adopted on 18 December 2005

#### MARKET ACCESS

##### *Tiered Formula*

- We have progressed on *ad valorem* equivalents.<sup>7</sup> This has successfully created a basis for allocating items into bands for the tiered formula.
- We have a working hypothesis of four bands for structuring tariff cuts.
- There has been very considerable convergence on adopting a linear-based approach for cuts within those bands. Members have, of course, by no means formally abandoned positions that are even more divergent.<sup>8</sup> We need now to narrow the extent of divergence that remains. This will include whether or not to include any "pivot" in any band.
- Members have made strong efforts to promote convergence on the size of actual cuts to be undertaken within those bands. But, even though genuine efforts have been made to move from formal positions (which of course remain), major gaps are yet to be bridged. Somewhat greater convergence has been achieved as regards the thresholds for the bands. Substantial movement is clearly essential to progress.<sup>9</sup>
- Some Members continue to reject completely the concept of a tariff cap. Others have proposed<sup>10</sup> a cap between 75-100%.

##### *Sensitive Products*

- Members have been prepared to make concrete - albeit conditional - proposals on the number of sensitive products. But, in a situation where proposals extend from as little as 1% to as much as 15% of tariff lines, further bridging this difference is essential to progress.
- The fundamental divergence over the basic approach to treatment of sensitive products needs to be resolved.<sup>11</sup> Beyond that, there needs to be convergence on the consequential extent of liberalisation for such products.

##### *Special and Differential Treatment*

- Just as for developed countries, there is a working hypothesis of four bands for developing countries. There is no disagreement on lesser cuts within the bands. A

certain body of opinion is open to considering cuts of two-thirds of the amount of the cuts for developed countries as a plausible zone in which to search more intensively for convergence.<sup>12</sup> But significant disagreement on that remains, and divergence is, if anything, somewhat more marked on the connected issue of higher thresholds for developing countries.<sup>13</sup>

- Some Members continue to reject completely the concept of a tariff cap for developing countries. Others have proposed<sup>14</sup> a cap at 150%.
- For sensitive products, there is no disagreement that there should be greater flexibility for developing countries, but the extent of this needs to be further defined.<sup>15</sup>

#### *Special Products*

- Regarding *designation* of special products, there has been a clear divergence between those Members which consider that, prior to establishment of schedules, a list of nonexhaustive and illustrative criteria-based indicators should be established and those Members which are looking for a list which would act as a filter or screen for the selection of such products. Latterly, it has been proposed (but not yet discussed with Members as a whole) that a developing country Member should have the right to designate at least 20 per cent of its agricultural tariff lines as Special Products, and be further entitled to designate an SP where, for that product, an AMS has been notified and exports have taken place. This issue needs to be resolved as part of modalities so that there is assurance of the basis upon which Members may designate special products.

- Some moves toward convergence on *treatment* of Special Products have been made recently. Some Members had considered that special products should be fully exempt from any new market access commitments whatsoever and have automatic access to the SSM. Others had argued there should be some degree of market opening for these products, albeit reflecting more flexible treatment than for other products. In the presence of this fundamental divergence, it had clearly been impossible to undertake any definition of what such flexibility would be. Genuine convergence is obviously urgently needed. There is now a new proposal for a tripartite categorization of Special Products involving limited tariff cuts for at least a proportion of such products which remains to be fully discussed. It remains to be seen whether this discussion can help move us forward.

#### *Special Safeguard Mechanism*

- There is agreement that there would be a special safeguard mechanism and that it should be tailored to the particular circumstances and needs of developing countries. There is no material disagreement with the view that it should have a quantity trigger. Nor is there disagreement with the view that it should at least be capable of addressing effectively what might be described as import "surges". Divergence remains over whether, or if so how, situations that are lesser than "surge" are to be dealt with. There is, however, agreement that any remedy should be of a temporary nature. There remains strong divergence however on whether, or if so how, a special safeguard should be "price-based" to deal specifically with price effects.

- There is some discernible openness, albeit at varying levels, to at least consider coverage of products that are likely to undergo significant liberalisation effects, and/or are already bound at low levels and/or are special products. Beyond that, however, there remains a fundamental divergence between those considering all products should be eligible for such a mechanism and those opposing such a blanket approach.

**Other Elements (Author's note: see below for relevant paragraphs of July 2004 Framework text)**

17. There has been no further material convergence on the matters covered by paragraphs 35 and 37 of the July 2004 Framework text. The same may be said for paragraph 36 on tariff escalation, albeit that there is full agreement on the need for this to be done, and a genuine recognition of the particular importance of this for commodities exporters. Certain concrete proposals have been made on paragraph 38 (SSG) and met with opposition from some Members.

18. Concrete proposals have been made and discussed on how to implement paragraph 43 of the July 2004 Framework on tropical and diversification products. But there remains divergence over the precise interpretation of this section of the July Framework<sup>16</sup> and no common approach has been established.

19. The importance of long-standing preferences pursuant to paragraph 44 of the July 2004 Framework is fully recognised and concrete proposals regarding preference erosion have been made and discussed.<sup>17</sup> There seems not to be inherent difficulty with a role for capacity building. However, while there is some degree of support for e.g. longer implementation periods for at least certain products in order to facilitate adjustment, there is far from convergence on even this. Some argue it is not sufficient or certainly not in all cases, while others that it is not warranted at all.

**Notes**

<sup>7</sup> The method for calculating the AVEs for the sugar lines is still to be established.

<sup>8</sup> At one end of the spectrum, as it were, a "harmonisation" formula within the bands; at the other end "flexibility" within the formula.

<sup>9</sup> The matrix below is an illustrative table that portrays the extent of divergences that remain, even on the basis of post-August 2005 proposals. This does not entirely cover all the subtleties of those proposals to utilize a "pivot" (although most are in fact within the ranges tabulated), but is intended to convey a snapshot of the status of average cuts proposed post-August.

Thresholds	Range of cuts (%)	
Band 1	0% - 20/30%	20-65
Band 2	20/30% - 40/60%	30-75
Band 3	40/60% - 60/90%	35-85
Band 4	>60/90%	42-90

<sup>10</sup> As an element in certain conditional proposals on overall market access, tabled post-July 2005.

<sup>11</sup> Some see this as being tariff quota based and expressed as a percentage of domestic consumption, with proposals of up to 10%. Others propose *pro rata* expansion on an existing trade basis, including taking account of current imports. Some also propose no new TRQs, with sensitivity in such cases to be provided through other means, e.g. differential phasing. There is also a proposal for a "sliding scale" approach.

<sup>12</sup> In this pillar, as well as in the other two, there is general convergence on the point that developing countries will have entitlement to longer implementation periods, albeit that concrete precision remains to be determined.

<sup>13</sup> The matrix below is an illustrative table that portrays the extent of divergences that remain, just on the basis of post-August 2005 proposals.

Thresholds	Range of cuts (%)	
Band 1	0% - 20/50%	15-25*
Band 2	20/50% - 40/100%	20-30*
Band 3	40/100% - 60/150%	25-35*
Band 4	>60-150%	30-40*

\*There is also a proposal that cuts for developing countries should be "slightly lesser" than the upper tariff cuts for developed countries shown in the preceding table (i.e.: "slightly lesser" than 65, 75, 85 and 90%).

<sup>14</sup> As an element in certain conditional proposals on overall market access, tabled post-July 2005.

<sup>15</sup> While the eventual zone of convergence for developed countries undoubtedly has a bearing in this area, it has been proposed by a group of Members that the principles of sensitive products generally and for TRQs specifically should be different for developing countries. Another group of Members has proposed, in the post-August period, an entitlement for developing countries of at least 50% more than the maximum number of lines used by any developed Member. This would (based on developed country proposals) amount to a potential variation between 1.5% and 22.5% of tariff lines. This latter group has also proposed that products relating to long-standing preferences shall be designated as sensitive and that any TRQ expansion should not be "at the detriment of existing ACP quotas". This particular view has been, however, strongly opposed by other Members which take the firm position that tropical and diversification products should not at all be designated as sensitive products.

<sup>16</sup> It is argued by some Members that this is to be interpreted as meaning full duty- and tariff quota-free access, but by others as less than that.

<sup>17</sup> Note 15 above refers.

**WT/L/579**

2 August 2004

### **Doha Work Programme**

#### **Decision Adopted by the General Council on 1 August 2004**

##### ***Other Elements***

35. Other elements that will give the flexibility required to reach a final balanced result include reduction or elimination of in-quota tariff rates, and operationally effective improvements in tariff quota administration for existing tariff quotas so as to enable Members, and particularly developing country Members, to fully benefit from the market access opportunities under tariff rate quotas.

36. Tariff escalation will be addressed through a formula to be agreed.

37. The issue of tariff simplification remains under negotiation.

38. The question of the special agricultural safeguard (SSG) remains under negotiation.

##### ***Special and differential treatment***

44. The importance of long-standing preferences is fully recognised. The issue of preference erosion will be addressed. For the further consideration in this regard, paragraph 16 and other relevant provisions of TN/AG/W/1/Rev.1 will be used as a reference.

#### **MONITORING AND SURVEILLANCE**

48. Article 18 of the Agreement on Agriculture will be amended with a view to enhancing monitoring so as to effectively ensure full transparency, including through timely and complete notifications with respect to the commitments in market access, domestic support and export competition. The particular concerns of developing countries in this regard will be addressed.