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Developing a Comprehensive IBSA Strategy on WTO Agriculture Negotiations

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INTRODUCTION

This report outlines SA's position on negotiations on agricultural trade at the World Trade Organization (WTO). It forms part of a project initiated by the Centre for International Trade, Economics and Environment (CUTS-CITEE) entitled 'Devising a Comprehensive IBSA (India-Brazil-SA) Strategy on WTO Agriculture Negotiations'.

In the final report, to be published by CUTS-CITEE, this introduction will be followed by a brief profile of the SA agricultural sector. This report should also be read in conjunction with SAIIA Trade Policy Briefing no. 10 on the SA agricultural sector prepared by Professor Johann Kirsten of the University of Pretoria.

Part 1 of this report provides some background on the negotiations on agricultural trade at the WTO. Part 2 assesses SA policy-making on agricultural trade, and identifies some of the factors that influence the positions adopted during WTO negotiations, and how they interact. Part 3 sets out SA's positions on the three pillars of the agriculture negotiations: market access, domestic support, and export competition. Part 4 analyses the views of key SA stakeholders in agricultural trade on these positions. The views of the government and these stakeholders are brought together in a matrix in Part 5. The final section contains some recommendations on SA's approach to the negotiations.

This report assumes that readers are familiar with the WTO Agreement on Agriculture, the history of the agricultural trade negotiations, including the technical terms used, and the July Framework. To assist in this regard, the relevant part of the July Framework is attached as Appendix A, and two background papers on the Agreement on Agriculture as Appendixes C and D.

Special thanks are extended to the Consumer Unity and Trust Society (CUTS) for funding this research.

BACKGROUND[1]

In July 2004, WTO member states adopted a Framework Agreement for advancing the Doha round of negotiations, aimed at achieving the Doha Development Agenda. This was to form the basis for renewed WTO negotiations which had been stalled since the aborted fifth Ministerial Conference held in Cancun in September 2003. According to the agreement, the Doha round was meant to be completed by December 2005. However, negotiations are now expected to continue until 2007. A work-in-progress report meant to be adopted by the Cancún Ministerial was eventually adopted by the sixth Ministerial Conference held in Hong Kong in December 2005.

Agriculture holds the key to progress in WTO negotiations. While all WTO members have an interest in the negotiations on agricultural trade, Australia, Brazil, China, the EU, India, SA, and the US are seen as the major players. Australia, Brazil, the EU, India, and the US form an informal group referred to as the Five Interested Parties, which pushed hard for the adoption of the July 2004 Framework Agreement.

The WTO negotiations on agricultural trade and their implications (both in terms of process and content) are expected to have a long-term impact on global economic governance. The G20 group of developing countries will play a significant role in these negotiations. Besides this, India, Brazil, and SA have formed a group called India-Brazil-SA (IBSA), which has adopted a unified stance. Following a meeting in Brasilia in September 2003, the IBSA heads of state and foreign secretaries issued a communiqué which stated that:

> Recognising trade is an important instrument in economic growth and in the creation and distribution of wealth, they (the Ministers) stressed the importance of promoting a development agenda in the WTO. They renewed their commitment to work together to foster reform in trade in agriculture, which will eliminate all distorting subsidies and ensure access to markets in developed countries, while recognising the need for operationalising special

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1 This section has been drawn from the terms of reference for this study provided by CUTS-CITEE.

and differential treatment for developing countries. They exchanged views on the ongoing negotiations of the Doha Round, in particular the recently held Cancún meeting, and emphasised the importance of the continued work and co-ordination of the G-22.

SA POLICY-MAKING ON TRADE IN AGRICULTURE

The domestic environment and consultation processes

Trade policy in SA is largely the responsibility of the Department of Trade and Industry (DTI). As regards negotiations on agricultural trade, the DTI is directly supported by the National Department of Agriculture, which actively participates in the WTO negotiations, and the work of the Cairns Group, the G20, the Southern African Development Community (SADC), the Southern African Customs Union (SACU), and the African Group. Other government agencies with an indirect interest in the WTO negotiations are the Presidency, the Department of Foreign Affairs (DFA) and the Treasury. The cluster system of governance enables all these government departments to interact on a range of trade issues. A Permanent Trade Forum was launched in 2005, and met for the second time in September.

Kirsten's paper examines the key policy drivers influencing the agricultural sector in SA. Consequently, these are not addressed here. As regards trade policy itself, various factors have contributed to the positions that SA has adopted. First, SA's post-1994 government has sought to become an active player in many international organisations, and the WTO is no exception. Through considerable diplomatic efforts, SA has positioned itself as a key player in the international arena, and a country that can bridge the divide between the developing world, especially Africa, and the developed world. The development focus of SA trade policy reflects this broad approach to engagement with the international community. Draper notes that in SA 'the strategic choices concerning which partners to negotiate with and on what issues have been driven largely by foreign policy considerations'.[2] Second, SA has adopted an approach to WTO issues that is more liberal than protectionist. This seems to be underpinned by a belief that free trade could contribute significantly to Africa's economic development.[3] Draper describes the dominant approach as using trade negotiations 'for two purposes: opening market access abroad for SA companies, whilst using reciprocity to discipline them in the domestic market'.[4]

In his 2005 study of SA trade policy, Draper notes that some stakeholders give a sense that they consider trade policy to be driven by domestic political concerns, especially in the area of trade enforcement. He notes that international trade policy and domestic industrial policy are not strongly linked. This is exacerbated by the division between trade and domestic economic policy under the cabinet cluster system. One participant in the peer review of this study stated that SA's trade policy seemed unbalanced, with agriculture given a greater priority than it deserved. Services formed a much larger part of the SA economy than agriculture, but were not given as much weight in the WTO negotiations.

In a more comprehensive study of policy-making on trade in agriculture, Griffiths considers the impact of a number of other factors such as the domination of the political landscape by one major party, a centralised federal model, and a predominantly white farming sector without broader public support.[5] He suggests that policy-making on agricultural trade involves a certain amount of tradeoffs, such as providing 'compensation' in some other area of government policy-making to interest groups that might be adversely affected by a trade policy.[6] This, he contends, would in part explain the acceptance by the agricul-

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2 Draper P, Consultation dilemmas: transparency versus effectiveness in SA's trade policy, in P Draper (ed), *Reconfiguring the Compass: South Africa's African trade diplomacy*, Johannesburg: SAIIA, 2005.

3 Department of Trade and Industry (DTI), A Broad SA Approach to New Multilateral Trade Negotiations in the World Trade Organisation, June 2001, http://www.DFA.gov.za/foreign/Multilateral/profiles/WTO.htm.

4 Draper P, *op. cit.*, p 2.

5 Griffiths A, The Domestic Politics of Agricultural Trade Policymaking in SA. Paper prepared for the Research Project on 'Linking the WTO to the Poverty-Reduction Agenda'. UK: DfID, June 2003, p 3.

6 *Ibid.*, p 4.

tural sector of the process of deregulation that took place in SA. Bell[7] speculates that this might have also been a tactic used by the ruling African National Congress (ANC) to get the council of South African Trade Unions (COSATU) to agree to the rapid liberalisation of tariffs in the late 1990s. In exchange for its support, he suggests, COSATU was rewarded with the formation of the National Economic Development and Labour Council (NEDLAC).

As in many other countries, trade policy in SA is only debated within a limited circle; the wider public does not really engage with trade policy issues. Media coverage of trade policy is limited, and largely from a political perspective. As a result, there are few groups or individuals with a thorough understanding of trade policy, especially the technical issues involved. One exception is Agri SA, which has the capacity to follow the WTO negotiations, also via its involvement with Cairns Group Farm Leaders, and to convey its views to the government through a well-established relationship. For example, a senior representative of Agri SA formed part of the SA delegation to the WTO Ministerial Meeting in Hong Kong. In some respects, therefore, the influence of Agri SA and its affiliates on agricultural trade policy is significant.

The SA government has created several mechanisms for improving the interaction among officials and stakeholders. Griffiths points out that the agricultural sector has been part of a consultative model of policy formulation that has brought stakeholders closer to the international trade negotiation process.[8] An Agricultural Trade Forum has been formed, and comprises participants from farmers' organisations, government, labour, and consumer groups. It meets regularly, and hears papers on key issues. Stakeholders involved in the forum have a positive opinion of it, and believe it is a useful way to exchange information.

From time to time, agricultural trade issues also feature on the agenda of NEDLAC's Trade and Labour Chamber. NEDLAC is a tripartite body established by government, labour, and business to discuss a wide range of policy issues, including trade. While NEDLAC is widely perceived to be an excellent initiative, some participants in this survey felt that it had not lived up to its promise,

7 Cited in Draper P, *op. cit.*, p 4.

8 Griffiths A, *op. cit.*, pp 2–3.

and that the information the government made available to it was inadequate. According to one participant, the situation had recently improved, and the negotiation of a specific trade protocol had assisted in this regard. However, some members expressed their frustration about NEDLAC's confidentiality provisions as well as the limited time given to members to consider information provided by the government. Some stakeholders felt that NEDLAC did not make the most of its role, and that as a result there was no strong sense of 'Team SA' in trade negotiations. Officials interviewed for this study agreed that steps could be taken to strengthen NEDLAC.

Therefore, there are mechanisms for consultation on trade policy in SA, especially for business and labour. However, broader civil society and general interest groups feel that little space has been provided for them to interact with the government on trade policy matters, including agricultural trade issues. The DTI has tried to hold broad-based consultations, and held a consultative meeting in Midrand in November 2005 prior to the Hong Kong Ministerial. However, both government officials and civil society organisations are frustrated with these types of events. Officials interviewed for this study stated that they often came away from such consultations feeling battered and with little constructive input into the policy-making process. Representatives of civil society organisations expressed frustration at a perceived lack of openness on the part of government. It was felt that policy was already well established before consultations took place, and therefore there was little opportunity to have any real influence on its direction. One official noted that it was difficult to undertake such general consultations on agricultural trade negotiations as much of the information is sensitive and some members of civil society do not respect the importance of confidentiality.

International coalitions

SA is an active member of the WTO, and agriculture is one of its priorities during the current negotiations on the Doha Development Agenda. According to one official document setting out SA's approach to trade negotiations,[9] promoting socioeconomic development is at the heart of the SA agenda. It aims to improve the situations of African countries through active participation in the WTO, and supports initiatives to address specific development concerns. Faizel Ismail, a senior member of the SA delegation to the WTO, currently chairs the WTO Committee on Trade and Development, and has played a key role in suggesting alternative approaches to development concerns raised by members.

As a SACU member, SA's trade policy corresponds in some respects with those of the other members, namely Botswana, Lesotho, Namibia, and Swaziland. In fact, the new SACU agreement of 2002 provides for a common external trade policy to be agreed jointly by the Council of Ministers.[10] But this has not yet been developed, and the SACU countries continue to take up their own interests and concerns both individually and as part of other coalitions. All SACU members participate in the African Group, but differ on some issues, including aspects of the agriculture negotiations. Notably, SA tends to adopt a more liberal stance than the other four SACU members.

In pursuing its interests in the agriculture negotiations, SA has aligned itself with a number of like-minded member countries. It is a member of the Cairns Group, the G20, and the African Group. The Cairns Group was founded in 1986 and today comprises 17 agricultural exporting countries.[11] Its broad objective is to further liberalise trade in agricultural products by eliminating export subsidies, reducing domestic support, and improving market access. The group usually stages one ministerial meeting a year; the last one (the 27th) was held in Colombia in March/April 2005. At this session, ministers agreed to place agriculture at the centre of the Doha Round, and to continue seeking ambitious goals.[12]

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9 DTI, A Broad South African Approach to New Multilateral Trade Negotiations in the World Trade Organisation, June 2001, http://www.DFA.gov.za/foreign/Multilateral/profiles/WTO.htm, accessed 14 March 2006.

10 Kirk R and M Stern, 'The New Southern African Customs Union Agreement', *Africa Region Working Paper Series No 57*, Washington: World Bank, 2003, p 8.

11 They are Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rice, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, SA, Thailand, and Uruguay.

12 Cairns Group, Cairns Group 27th Ministerial Meeting: Cartagena Declaration, 1 April 2005.

Traditionally, the Cairns Group contributed to the debate on agriculture issues by preparing position papers. These would be negotiated (often at length) by Cairns Group members and then presented to other WTO members. Cairns Group positions were often viewed as representing one end of the spectrum of positions on agricultural trade liberalisation, with the EU, Japan, Norway, and others at the opposite end. Since the formation of the G20, the Cairns Group seems to have lost some momentum. It has continued to meet and to issue joint statements. However, far fewer position papers have been circulated. The reasons for this could include the greater involvement of a number of developing country Cairns Group members (including SA) in the work of the G20, and the perception that the G20 now largely occupies the space traditionally held by the Cairns Group. One stakeholder interviewed for this study noted that SA's membership of the Cairns Group was largely driven by Agri SA and its participation in the Emerging Farmers Forum. This assessment was again borne out at the Hong Kong Ministerial, where Cairns Group members met several times but did not speak with one voice during the negotiations.

The G20 emerged just prior to the WTO Ministerial Meeting in Cancun in 2003. Its establishment demonstrated a degree of frustration among key developing countries about the lack of progress on agriculture issues. The members of the G20 have changed.[13] However, Brazil, India, SA, and a handful of other countries have remained core members, and have actively pursued its positions in negotiations, inter alia by taking the lead in preparing technical position papers. The G20 has also played an active role in co-ordinating developing countries through regular consultations with other groups, such as the African Group, Least Developed Countries (LDCs), the African-Caribbean-Pacific (ACP) group, the G33, and Recently Acceded Members (RAM). SA officials note that the G20 often assimilates the positions of other groupings into its own. This co-operation reached its most visible level yet at Hong Kong when the G20, LDCs, G33, ACP, and small vulnerable economies groups made a joint declaration. This was touted as the first time that all developing countries had jointly

13 Current participants include Argentina, Brazil, Bolivia, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, SA, Tanzania, Thailand, Uruguay, Venezuela and Zimbabwe.

voiced their views on WTO issues. However, the declaration was insubstantial, and developing country members continued to put forward different positions during the negotiations.

The initial reaction in 2003 to the establishment of an alternative force within the agricultural negotiations was mixed. It certainly caught a number of WTO members, including the US and European Commission (EC) by surprise. Cairns Group members that are not part of the G20 also seemed to feel slightly wrong-footed at the Cancun Ministerial. The advent of the G20 sidelined the Cairns Group to a certain degree, and it took some time for the latter to engage in a constructive manner with the former. After the initial shock over the formation of the G20, the US and EC reportedly attempted to undermine its efficacy. For example, a number of Latin American countries disassociated themselves from the G20 supposedly after the US has pressurised them into doing so. Gaur described this as a 'hardening of the attitude of the developed world, especially the US, towards G20 nations'.[14] These moves did dent the G20's momentum immediately after Cancun, but it has managed to regroup and has shown itself to be a long-term player in the agricultural negotiations.

Like the Cairns Group, much of the work of the G20 is done in Geneva by the delegations based there, with the support of officials based in the various capitals of group members. The G20 has also tried to maintain its political momentum by staging regular ministerial sessions. The most recent was held in New Delhi, India, on 18 and 19 March 2005. Ministers adopted a declaration, in which they:

- reaffirmed their common goal to end trade-distorting policies in agriculture;
- reaffirmed their commitment to the development dimension of the Doha Round;
- reaffirmed the importance of a 'bottom-up' approach to the negotiations, so that they may benefit all WTO members; and
- reiterated that special and differential treatment for developing countries should form an integral part of all aspects of the negotiations.[15]

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14 Gaur S, Politics of Cancun Failure: US Stance Hardens Towards G20+ Nations, 6 October 2003, http://www.iseas.edu.sg/viewpoint/sg6oct03.pdf (accessed on 3 August 2005).

15 G20 Ministerial Declaration, New Delhi, 19 March 2005.

The G20 has also prepared position papers on the three pillars of the negotiations on agricultural trade. Given the diverse nature of G20 members, these papers have been characterised as representing the 'middle ground'. The G20 encompasses countries with very different national interests. The negotiation of position papers is therefore often difficult and time-consuming. By the time they are presented to other WTO members, they have already been intensively negotiated, and some kind of consensus reached. Brazil and India are perceived to be at opposite ends of the spectrum in the G20, with both having considerable domestic agricultural interests in the WTO – Brazil from the perspective of seeking greater market access and a more level playing field, and India with an overriding aim of wanting to protect its large numbers of subsistence farmers. An SA official has characterised SA as having much less to lose in terms of its domestic interests than both Brazil and India. Its role in internal G20 discussions is therefore largely one of helping to provide the 'glue' among members, and working to keep the group together.

The third group to which SA belongs is the African Group. Participation in this coalition sets SA apart from both Brazil and India, and provides a different dynamic for the development of agricultural trade policy in some instances. The African Group has not traditionally been an active participant in the WTO negotiations, but this has changed dramatically in the years since the start of the Doha round. It has become more organised, more active, and more engaged. It has demonstrated its ability to be a key player in the negotiations by blocking progress on the Singapore issues at recent Ministerials. The technical capacity of many of the African delegations to the WTO has also increased, and they are therefore better able to participate in the negotiations. While the African Group discusses a broad range of issues on the WTO agenda, many of its members have a particular interest in agriculture.

SA holds an important place within the African Group. It is one of the largest members in terms of the size of its economy and its share of global trade. Role players and observers outside Africa also commonly regard it as the 'powerhouse of Africa'. This places SA in the rather unenviable position of a being a key member of the African Group, with the resources to participate actively, while at the same time needing to balance perceptions that it is trying to dominate discussions. Due to its different level of development, SA also has different domestic interests to pursue in the WTO negotiations than many of its African neighbours. This is certainly the case in agriculture, and may partly explain SA's ongoing participation in the Cairns Group and G20.

SA's agricultural sector differs in numerous respects from those of other African countries. For example, it does not only comprise subsistence agriculture, which is often the case elsewhere on the continent. SA agriculture reflects the popular concept that this country effectively comprises two economies: the first a thriving commercial one, and the second an emerging one made up of smaller businesses that are predominantly black-owned. This has implications for SA trade policy overall, and more specifically its interaction with the African Group. SA is strongly sympathetic towards and supportive of the overall ambitions of the African Group, especially those relating to problems faced by emerging farmers in SA. This is reflected in its support for the special and differential treatment of developing countries. However, this has to be balanced by the interests of the commercial farming sector in SA. This sector is relatively competitive, and would benefit from improved market access and a more level playing field should developed countries reduce or eliminate export subsidies, and reduce their domestic support.

This is not the case in many other African countries, even though they do not benefit either from the status quo. This is reflected in the African Group's negotiating position, which is similar to that adopted by the Cairns Group except for the focus on preferences.

The dynamics within the African Group are not only affected by differences in domestic interests, but also by relations with the international community. For many years most African countries have relied on market access concessions provided by the EU under the Cotonou Partnership Agreement (and its predecessors), and, more recently, the US under the African Growth and Opportunities Act (AGOA). SA, because of its history and economic weight, has had a different experience from most African countries. While it is a member of the ACP group, it has negotiated its own free trade arrangement (FTA) – the Trade, Development and Cooperation Agreement – with the EU. SA approached this in a similar way to other FTAs, and the balance of power did not rest solely with the EU, as was evidenced in areas such as fisheries and wine. Other African countries are having a different experience with the work under way on the economic partnership agreements meant to replace the Cotonou Convention. Many African countries are desperate to hold on to their existing preferential access to the european market, and are prepared to demand little by way of other changes from the EU. If they continue to adhere to this position, SA could become further isolated from the rest of the African Group.

The African Group tends to rely on statements as its key means of participation in the WTO negotiations. It has not yet begun to develop detailed position papers, although it does sometimes set out its general approach in writing, and subsets of the African Group do sometimes prepare papers on a certain issue. AU trade ministers made their most recent comprehensive statement on the Doha round agriculture in the Cairo Declaration and Road Map on the Doha Work Programme issued on 9 June 2005. On agriculture, the African Group is broadly perceived to be supportive of attempts to eliminate export subsidies and limit domestic support. However, its key concerns are under the market access pillar. The question of preferences under this pillar is very important to many of its members, and has dominated their participation in the negotiations. As is indicated below, SA has a somewhat different approach to preferences than other African Group members; it believes that, in the long term, it is better to focus on liberalisation rather than the continuation of preference regimes. According to SA officials, this position is often put forward in African Group discussions and is considered by others in those deliberations. This gap between SA and the rest of the African Group on the issue of preferences widened at the Hong Kong Ministerial. During the 'Green Room' negotiations, SA reportedly sided with the MFN Group (largely comprising Latin American countries) on the question of how to deal with preference erosion. This informal grouping is essentially seeking to deal with preferences without resorting to trade measures.

SA's role in the African Group raises the question of the influence of broader foreign policy objectives in the development of trade policy. In recent years, the importance of African solidarity has been strongly emphasised in SA foreign policy. This has been evident in a number of arenas, including human rights discussions at the UN, and in specific initiatives such as the New Partnership for Africa's Development (Nepad). Within the WTO, SA has also demonstrated the importance it places on maintaining a strong, co-ordinated African position. For example, in the recent race for the position of director-general of the WTO, the African Group decided to supported the candidate from Mauritius.[16] SA supported – or went along with – this decision, despite the fact that the Mauritian candidate had put forward positions on a number of issues that did not correspond with its own. A more natural fit in trade policy terms may have been for SA to support the Brazilian candidate, but it seems as if foreign policy concerns won the day.

In its early days, the IBSA initiative was also largely driven by foreign policy concerns, and provides another example of how diplomatic initiatives can have an impact on trade policy formation. As noted earlier, the IBSA countries have been key players in the G20, and have managed to overcome some of the differences that previously led to the three countries being on opposite sides of the negotiations. An SA official interviewed for this study noted that because of the political linkages forged via IBSA the three countries have reached a good understanding of each others' specific trade concerns. These are fed through into the G20 and have enabled the latter to develop clear positions which all three countries can support.

SA officials interviewed for this study did not provide much direct comment on the positions adopted by India and Brazil in the WTO agricultural trade negotiations. They did express an understanding of the domestic forces driving these positions as well as a great admiration of the technical and strategic skills of the negotiators from both those countries. One official made a comparative assessment which suggested that SA did not yet have the same institutional capacity on these issues as India and Brazil. This was said to be partly due to historical factors, and SA's disengagement from the global economy during the apartheid regime. The official suggested that SA had much to learn from India and Brazil. One simple example given was the dissemination of information about trade negotiations. The website of the Indian Ministry of Commerce and Industry offers considerable resources, including detailed information on India's position on various trade issues. By contrast, the DTI website barely mentions the WTO.

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16 African Union, African Union Executive Council Decision on African Candidatures for Posts within the International System (EX.CL/DEC.190(VI)). Addis Ababa, January 2005.

SA POSITIONS AT THE WTO

The following is a summary of SA's positions on the three pillars of the agricultural trade negotiations at the WTO. It has been gleaned from discussions with officials and from publicly available material, including Cairns Group and G20 documents. It is clear that SA's positions reflect its domestic interests as well as a desire to improve the lot of developing countries.[17] Its approach to the Doha Development Agenda is based on the principle of differential treatment for developing countries. Some of SA's positions (including those on cotton and special and differential treatment) are influenced by the African Group, and others (including those on market access bands) by the G20.

The influence of domestic stakeholders on SA's positions is less clear. Agri SA does seem to exert some influence, and is a well-organised and well-resourced partner of the government. Therefore, the concerns of the agricultural industry are reflected to a certain extent in SA's approach. Other stakeholders interviewed complained that, during their consultations with the government, they gained the impression that the latter had already developed its positions, and was simply going through the motions of consulting with stakeholders. However, the Agricultural Trade Forum does seem to be a useful forum, and officials say it has considerable influence over the development of policy. One stakeholder noted that the forum was doing valuable work, but this was mostly at a technical level. Another added that the position adopted by SA on special and differential treatment for developing countries was not necessarily integrated into domestic industrial and trade policy. This lack of policy harmonisation may not be too problematic for established commercial agriculture in SA, but may have a greater negative impact on emerging black agriculture.

Market access

Like many other WTO members, SA regards market access as a key aspect of the agriculture negotiations. In this respect, SA has both defensive and offensive

17 DTI, *op. cit.*

interests to pursue. As regards the former, it still protects its farmers and the agricultural sector via tariffs (the average bound tariff is 40%, and the average applied tariff for agricultural products is 9%). In the case of a number of key products, the applied tariff rate is considerably lower than the bound rate.[18] This provides scope for the SA government to increase tariffs in respect of these products. At the applied level, SA also uses a number of specific or mixed tariffs rather than ad valorem rates.[19] One example of the scope for using tariffs as a protective measure in SA is the current discussion about the possibility of increasing the tariff for wheat. The wheat industry is seeking a considerable increase (although well within WTO bindings) in the tariff on the grounds that the sector cannot compete with subsidised wheat from other countries, and this has contributed to recent currency fluctuations. However, against all expectations, the International Trade Administration Commission of South Africa (ITAC) decided to effectively reduce the tariff to 2%. This reflects the reluctance of the SA government to use tariffs to protect local industries against imports.

With these issues in mind, SA keenly supports the notion of 'proportionality' – meaning that developing countries should be required to make lesser reduction commitments than developed countries. It is also keen to see other forms of special and differential treatment for developing countries strengthened in this area. However, it is not enthusiastic about the notions of special and sensitive products, and would like to see a firm agreement on the tariff reduction formula before those ideas are pursued further. Like other members of the G20 and Cairns Group, SA opposes the EC proposal in respect of the number of sensitive products it would like to nominate.

As SA already receives preferential access for many of its exports, the focus in the negotiations is on those products excluded from existing bilateral and regional agreements, and those in respect of which tariff escalation is an issue. SA has therefore adopted a firm position in respect of tariff escalation and tariff peaks. It would like to see these issues addressed in the negotiations in a way that ensures that they will be minimised in future. Like other developing

18 Acharya R and M Daly, Selected Issues Concerning the Multilateral Trading System: Discussion Paper No 7. Geneva: WTO, 2004, p 7.

19 *Ibid.*, p 8.

countries, including other members of the G20, SA sees a link between making further market access commitments and reductions in trade and production-distorting subsidies by developed countries. It strongly favours progress on the latter issue in the first instance.

As a member of the African Group, SA has had to pay close attention to the question of preferences. It does not favour the long-term retention of preference regimes. Instead, it would prefer developing countries to be encouraged to make their agricultural sectors more competitive by the broad-based reform of agricultural trade policies, especially in larger developed countries, and the provision of financial assistance and capacity-building. The increases in the prices of agricultural products likely to follow the removal of export subsidies and the provision of better market access is expected to provide more benefits than the current preferential access to some markets. SA believes this will benefit those developing countries that have traditionally relied on preferences. It does acknowledge, however, that special consideration should be given to addressing the transitional issues that preference-reliant countries are likely to face. This is relevant to the current negotiations between the EU and ACP countries on economic partnership agreements.

Domestic support

For SA, this is the most important issue in the agriculture negotiations. It starts from the basic position that trade-distorting domestic support should be substantially reduced (as was agreed in the Doha Ministerial Declaration). It would like to see developed countries change their domestic support regimes by not only reducing the overall amount spent on supporting farmers, but ensuring that continued support measures do not distort trade. Current levels of spending need to be substantially reduced, and further disciplines are needed on both green box and blue box spending. In line with its support for the development dimension of the Doha Round, SA favours the special and differential treatment of developing countries that will enable them to continue to assist subsistence and resource-poor farmers. It believes the emphasis should be reducing the low levels of domestic support provided by some developing countries, but the high levels of support major developed countries, such as the US and

EU. Also, any changes made to the disciplines on domestic support should not simply lead to 'box-shifting' by developed countries.

Prior to the Hong Kong Ministerial, the SA National Department of Agri–culture thoroughly analysed the domestic support proposals by the EC and US. It found the US proposal particularly deficient, and concluded that it would hardly change current levels of support. This point was taken up at Hong Kong and was said to have resulted in lengthy discussions between the two delegations and other interested countries, including the G20. Differences were found in the figures used by the US and those given to the WTO and used by SA. This issue will have to be discussed further, particularly if a result is to be achieved that satisfies the demands of SA and others for substantial reductions in domestic support in real terms.

Export competition

The WTO has identified SA as the second worst user of export subsidies, as measured by the total number of products subsidised (a total of 62 products). SA officials have claimed that this is a misleading statistic, as SA has never been a big user of subsidies and in fact abolished its agricultural subsidies in 1997. SA strongly favours the elimination of all forms of export subsidies as rapidly as possible. As a member of the G20, it has joined others in calling for the elimination of export subsidies within no more than five years (by 2010) and with a front-loading of commitments.[20] Despite being disappointed with the failure of the EC to agree to the 2010 deadline proposed in Hong Kong, SA did join the consensus on a deadline of 2013. SA does not believe that developing countries should 'pay' for the removal of export subsidies in other areas of the negotiations. This position seems to be widely supported by all the stakeholders consulted for this study, including farmers' representatives. One stakeholder reinforced the view that the demise of subsidy-supported supply would in many cases lead to a substantive increase in the world prices of agricultural products, which would benefit to SA industry.

SA is still developing its position on other aspects of the export competition

20 G20, *op. cit.*, paragraph 16.

pillar, including food aid; however, it again has an overriding desire to ensure that the rights of developing countries are protected. For example, it does not support State Trading Enterprises (STEs) and would like their use to be more strictly controlled. It recognises, however, that developing countries may have some use for STEs under certain circumstances, such as the rebuilding of an economy after a conflict. SA therefore supports changes that would allow developing countries to retain or use STEs for a limited period.

STAKEHOLDERS' VIEWS AND COMMENTS

As noted earlier, there is little public debate in SA on trade policy issues, including agricultural trade negotiations. However, there are numerous organisations and some individuals with a strong interest in the WTO, representing a variety of interests, from large commercial farmers through consumers to women. As part of the research for this report, a number of stakeholders were interviewed, or asked to comment in writing. Most of them have also participate in the peer review of this report. Stakeholders consulted are listed in Appendix B.

Most of the stakeholders consulted for this study did not have positions on the specific technical issues involved in the WTO negotiations. The exceptions were Agri SA and some of the think-tanks/academics who follow these issues. Despite some ideological differences about the merits of free trade, the views of business and labour – the largest stakeholder groups – were found to converge. One representative of a farmers' organisation commented that if a policy was in the interest of farmers, it would also be in the interests of farm workers. The views of employers and labour in other sensitive sectors, such as clothing and textiles, also converged when a third party (or 'common enemy') was involved in the negotiations. One business representative commented that labour seemed to be better co-ordinated in its approach to trade negotiations and its linkages with international colleagues than the business sector. Several interviewees noted that SA business had lacked cohesiveness and leadership in recent years, and that its influence and input into trade negotiations were among many areas that had suffered as a result.

Most stakeholders supported the basic positions adopted by the SA government in the WTO agriculture negotiations, particularly in respect of export subsidies and domestic support. Many also supported the overall focus on development concerns. Market access is more sensitive, as this is an area in which SA has particular domestic interests that could be perceived as defensive. For example, one industrial stakeholder argued that, as long as the global playing field has not been levelled, SA should be able to continue to use tariffs to protect local industries against subsidised products from other countries. Some stakeholders saw tariffs as the last line of defence of the SA agriculture sector following the abolition of most other forms of support in the late 1990s. In reality, however, it might not be possible to rely on tariff protection to the same extent as in the past, as was demonstrated by the recent decision to change the wheat tariffs, referred to earlier.

Stakeholders expressed concern about the proliferation of bilateral and regional agreements being negotiated by SA. They voiced a fear that this would continue if the WTO did not address some key issues, such as agriculture liberalisation, in the short term. Some raised the specific question of preferences in this context, and stated that this was a key to the successful conclusion of the Doha Round. If preferences were not addressed, the negotiation of bilateral and regional agreements would continue and further complicate the situation in the southern African region, where an intricate web of arrangements already existed.

MATRIX OF ISSUES, POSITIONS AND VIEWS

In this section, the SA position and the views of SA stakeholders on key negotiating issues as identified in the course of this study are drawn together in a single matrix. The first column lists key issues in the negotiations, based on Annex A of the July Framework (appended as Appendix A). The second column sets out the SA position, where this is known. The third column contains summaries of stakeholders' views and comments. The matrix is aimed at helping SA negotiators and stakeholders to identify priority issues as well as gaps in their approach. It is also an important tool for this project as a whole, as it will help to unify the approaches of the IBSA countries. The recommendations in the final section are partly based on the matrix.

Extracts from July Framework	SA position	Stakeholders' views/ comments
2. The final balance will be found only at the conclusion of these subsequent negotiations and within the Single Undertaking. To achieve this balance, the modalities to be developed will need to incorporate operationally effective and meaningful provisions for special and differential treatment for developing country Members. Agriculture is of critical importance to the economic development of developing country Members and they must be able to pursue agricultural policies that are supportive of their development goals, poverty reduction strategies, food security and livelihood concerns. Non-trade concerns, as referred to in Paragraph 13 of the Doha Declaration, will be taken into account.	SA supports demands for the special and differential treatment of developing countries. The African Group regards this as a key aspect of the negotiations.	
3. The reforms in all three pillars form an interconnected whole and must be approached in a balanced and equitable manner.	As a member of the G20, SA supports an interconnected approach. For example, an SA official stated that progress on domestic support would be crucial to ensuring progress on market access as well.	

Extracts from July Framework	**SA position**	**Stakeholders' views/ comments**
4. The General Council recognizes the importance of cotton for a certain number of countries and its vital importance for developing countries, especially LDCs. It will be addressed ambitiously, expeditiously, and specifically, within the agriculture negotiations. The provisions of this Framework provide a basis for this approach, as does the sectoral initiative on cotton. The Special Session of the Committee on Agriculture shall ensure appropriate prioritization of the cotton issue independently from other sectoral initiatives. A subcommittee on cotton will meet periodically and report to the Special Session of the Committee on Agriculture to review progress. Work shall encompass all trade-distorting policies affecting the sector in all three pillars of market access, domestic support, and export competition, as specified in the Doha text and this Framework text.	SA remains a strong supporter of the African cotton-producing countries, and favours a result that reflects their needs. But officials believe this issue will probably not be resolved soon, and that any resolution will probably form part of a broader package. While comment by SA officials on the cotton package agreed to in Hong Kong could not be obtained, SA will probably continue to support the African Group on this issue.	Stakeholders support the general idea of assisting developing countries, and note that SA has its own cotton industry to consider. Cotton is seen as one example of the impact of trade-distorting measures, and not a unique situation. The actions taken on cotton could therefore constitute a precedent for other industries damaged by support measures similar to those applied to cotton producers in developed countries.
5. Coherence between trade and development aspects of the cotton issue will be pursued as set out in paragraph 1.b of the text to which this Framework is annexed.	See above.	

Extracts from July Framework	SA position	Stakeholders' views/ comments
DOMESTIC SUPPORT		
6. The Doha Ministerial Declaration calls for 'substantial reductions in trade-distorting domestic support'. With a view to achieving these substantial reductions, the negotiations in this pillar will ensure the following:	SA supports the overall ambition of this pillar to achieve 'substantial reductions in trade-distorting domestic support'.	Farmers' organisations and organised labour are keen to see significant cuts in domestic support in large developed countries. However, they accept that even if domestic support in these countries is dramatically reduced, this might not have a major impact on global markets.
Special and differential (S&D) treatment remains an integral component of domestic support. Modalities to be developed will include longer implementation periods and lower reduction coefficients for all types of trade-distorting domestic support and continued access to the provisions under Article 6.2.	SA supports the early signalling of the importance of S&D treatment in respect of this pillar. It favours major reductions in levels of domestic support in developed countries, and a result that has little impact on the spending levels of developing countries.	Stakeholders are keen for SA to retain its access to Article 6.2 in order to help develop small-scale farming.
There will be a strong element of harmonisation in the reductions made by developed Members. Specifically, higher levels of permitted trade-distorting domestic support will be subject to deeper cuts.	SA supports the aim of a harmonising result in terms of which developed countries with high levels of support will be required to make the greatest reductions. But it would not like to see this used by developed countries (eg the US and EU) as a reason for not reducing domestic support because other developed countries have failed to do so.	

Extracts from July Framework	SA position	Stakeholders' views/ comments
Each such Member will make a substantial reduction in the overall level of its trade-distorting support from bound levels.	SA supports the use of bound levels as the starting point for reductions, but would like to see real reductions in trade and production-distorting domestic support, not just a reduction in bound levels. This was a particular concern in Hong Kong in respect of the US offer on domestic support. SA analysts found that it would not meaningfully change existing levels of support.	
As well as this overall commitment, Final Bound Total AMS and permitted de minimis levels will be subject to substantial reductions and, in the case of the blue box, will be capped as specified in paragraph 15 in order to ensure results that are coherent with the long-term reform objective. Any clarification or development of rules and conditions to govern trade distorting support will take this into account.	SA supports the reduction of de minimis support levels in developed countries, but not in developing countries. It favours a 5% cap on the blue box.	

Extracts from July Framework	SA position	Stakeholders' views/ comments
Overall Reduction: A Tiered Formula		
7. The overall base level of all trade-distorting domestic support, as measured by the Final Bound Total AMS plus permitted de minimis level and the level agreed in paragraph 8 below for blue box payments, will be reduced according to a tiered formula. Under this formula, Members having higher levels of trade-distorting domestic support will make greater overall reductions in order to achieve a harmonising result. As the first installment of the overall cut, in the first year and throughout the implementation period, the sum of all trade-distorting support will not exceed 80 per cent of the sum of Final Bound Total AMS plus permitted de minimis plus the blue box at the level determined in paragraph 15.	SA supports the aim of a harmonising result in terms of which developed countries with high levels of support will be required to make the greatest reductions. As agreed at the Hong Kong Ministerial, SA supports the use of three bands that would see the EU in the highest band and the US in the middle band, with developing countries in the bottom band.	
8. The following parameters will guide the further negotiation of this tiered formula:		The parameters are viewed as fairly wide. They allow considerable autonomy for member states to establish their own commitments.

Extracts from July Framework	SA position	Stakeholders' views/ comments
This commitment will apply as a minimum overall commitment. It will not be applied as a ceiling on reductions of overall trade-distorting domestic support, should the separate and complementary formulae to be developed for Total AMS, de minimis and blue box payments imply, when taken together, a deeper cut in overall trade-distorting domestic support for an individual Member.	SA supports this provision as it ensures that the higher cut is the most effective mechanism of the two approaches (ie, the overall cut or individual elements).	
The base for measuring the blue box component will be the higher of existing blue box payments during a recent representative period to be agreed and the cap established in paragraph 15 below.	SA favours a base period of 1995-2000 as proposed by the G20.	
Final Bound Total AMS: A Tiered Formula		
9. To achieve reductions with a harmonising effect:		
Final Bound Total AMS will be reduced substantially, using a tiered approach.	SA generally favours a tiered approach.	
Members having higher Total AMS will make greater reductions.	SA generally supports this concept. The remaining question is how to interpret 'higher' – in relative or absolute terms. SA would like to see all developed countries – including those with lower levels of Total AMS (eg Norway and Switzerland) – make large reductions.	

Extracts from July Framework	SA position	Stakeholders' views/ comments
To prevent circumvention of the objective of the Agreement through transfers of unchanged domestic support between different support categories, product-specific AMSs will be capped at their respective average levels according to a methodology to be agreed.	SA supports product-specific capping.	SA industry favours product-specific caps.
Substantial reductions in Final Bound Total AMS will result in reductions of some product-specific support.	SA would prefer a stronger reference to the reduction of product-specific support.	
10. Members may make greater than formula reductions in order to achieve the required level of cut in overall trade-distorting domestic support.	Position unknown.	
De minimis		
11. Reductions in de minimis will be negotiated taking into account the principle of special and differential treatment. Developing countries that allocate almost all de minimis support for subsistence and resource-poor farmers will be exempt.	SA would have preferred a carve-out from any de minimis reductions in developing countries.	
12. Members may make greater than formula reductions in order to achieve the required level of cut in overall trade-distorting domestic support.	Position unknown.	

Extracts from July Framework	**SA position**	**Stakeholders' views/ comments**
Blue box		
13. Members recognize the role of the blue box in promoting agricultural reforms. In this light, Article 6.5 will be reviewed so that Members may have recourse to the following measures:	SA favours strong new criteria for the blue box to ensure that it is less trade-distorting than the amber box, and is used as an instrument of reform. Box-shifting to circumvent disciplines and reduction commitments in the amber box should be prevented.	
Direct payments under production-limiting programmes if: such payments are based on fixed and unchanging areas and yields; or such payments are made on 85% or less of a fixed and unchanging base level of production; or livestock payments are made on a fixed and unchanging number of head.		
OR		
Direct payments that do not require production if: such payments are based on fixed and unchanging bases and yields; or livestock payments made on a fixed and unchanging number of head; and such payments are made on 85% or less of a fixed and unchanging base level of production.		

Extracts from July Framework	SA position	Stakeholders' views/ comments
14. The above criteria, along with additional criteria will be negotiated. Any such criteria will ensure that blue box payments are less trade-distorting than AMS measures, it being understood that:	SA expects that reaching agreement on the blue box criteria will be one of the most difficult issues during the agriculture negotiations.	
Any new criteria would need to take account of the balance of WTO rights and obligations.	Position unknown.	
Any new criteria to be agreed will not have the perverse effect of undoing ongoing reforms.	SA acknowledges that this is 'comfort language' for the EC.	
15. Glue box support will not exceed 5% of a Member's average total value of agricultural production during an historical period. The historical period will be established in the negotiations. This ceiling will apply to any actual or potential blue box user from the beginning of the implementation period. In cases where a Member has placed an exceptionally large percentage of its trade-distorting support in the blue box, some flexibility will be provided on a basis to be agreed to ensure that such a Member is not called upon to make a wholly disproportionate cut.	SA supports the application of a cap and its immediate application. The last sentence is not particularly welcome, and SA will seek to limit its application. It supports the base period of 1995-2000 proposed by the G20.	

Extracts from July Framework	SA position	Stakeholders' views/ comments
Green box		
16. Green box criteria will be reviewed and clarified with a view to ensuring that green box measures have no, or at most minimal, trade-distorting effects or effects on production. Such a review and clarification will need to ensure that the basic concepts, principles and effectiveness of the green box remain and take due account of non-trade concerns. The improved obligations for monitoring and surveillance of all new disciplines foreshadowed in paragraph 48 below will be particularly important with respect to the green box.	SA does not support the reference to non-trade concerns, but recognises the need to ensure that the basic principles of the green box are respected. SA would ideally like to see direct green box payments capped or reduced for developed countries.	
EXPORT COMPETITION		
17. The Doha Ministerial Declaration calls for 'reduction of, with a view to phasing out, all forms of export subsidies'. As an outcome of the negotiations, Members agree to establish detailed modalities ensuring the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect by a credible end date.	SA strongly supports the rapid abolition of all forms of export subsidies, including export credits, credit guarantees, and credit insurance programmes.	All stakeholders support the abolition of export subsidies as quickly as possible.
End point		
18. The following will be eliminated by the end date to be agreed:		

Extracts from July Framework	SA position	Stakeholders' views/ comments
Export subsidies as scheduled.	SA fully supported the G20 proposal to eliminate direct export subsidies over no longer than five years, with 60% at the end of the first year, an additional 20% at the end of the third year, and the remaining 20% by the end date. It did, however, join the consensUS at Hong Kong in favour of a 2013 deadline.	
Export credits, export credit guarantees or insurance programmes with repayment periods beyond 180 days.	SA supports the rapid abolition of export credits, credit guarantees, and credit insurance programmes.	
Terms and conditions relating to export credits, export credit guarantees or insurance programmes with repayment periods of 180 days and below which are not in accordance with disciplines to be agreed. These disciplines will cover, inter alia, payment of interest, minimum interest rates, minimum premium requirements, and other elements which can constitute subsidies or otherwise distort trade.	This is a complex issue, and SA is still developing its position on all the paeameters listed.	
Trade distorting practices with respect to exporting STEs including eliminating export subsidies provided to or by them, government financing, and the underwriting of losses. The issue of the future use of monopoly powers will be subject to further negotiation.	SA supports limitations on STEs. However, it would like to see some flexibility for developing countries which may need STEs for a limited period, eg while rebuilding their economies after a conflict.	

Extracts from July Framework	SA position	Stakeholders' views/ comments
Provision of food aid that is not in conformity with operationally effective disciplines to be agreed. The objective of such disciplines will be to prevent commercial displacement. The role of international organizations as regards the provision of food aid by Members, including related humanitarian and developmental issues, will be addressed in the negotiations. The question of providing food aid exclusively in fully grant form will also be addressed in the negotiations.	SA is still developing its position on food aid. It would like to see a distinction between emergency humanitarian food aid and other food aid. It would support a reference to 'surplus disposal'. It has no interest in limiting genuine food aid, but favours rules that will prevent countries from circumventing export competition disciplines by providing food aid. SADC ministers have made a statement on food aid that favours cash-only assistance with no conditionality. The World Food Programme should itself determine where to buy food, and should look to the region as a possibility. SA did not support the issue of food aid being used as a diversion at Hong Kong away from the real negotiations over the export subsidies used by developed countries.	One stakeholder argued that food aid should be given exclusively in grant form, and that food for food aid should be sourced on the open market. This will remove the temptation to use food aid budgets as a domestic support measure, and will strengthen regional trade in the affected area.
19. Effective transparency provisions for paragraph 18 will be established. Such provisions, in accordance with standard WTO practice, will be consistent with commercial confidentiality considerations.	SA strongly supports improved transparency and notification requirements.	

Extracts from July Framework	SA position	Stakeholders' views/ comments
Implementation		
20. Commitments and disciplines in paragraph 18 will be implemented according to a schedule and modalities to be agreed. Commitments will be implemented by annual installments. Their phasing will take into account the need for some coherence with internal reform steps of Members.	SA supports the reference to annual installments, as this implies that all cuts will not be left to the final year. The room left for differentiated implementation periods is not welcome.	.
21. The negotiation of the elements in paragraph 18 and their implementation will ensure equivalent and parallel commitments by Members.	Position unknown.	
Special and differential treatment		
22. Developing country Members will benefit from longer implementation periods for the phasing out of all forms of export subsidies.	SA strongly supports the special and differential treatment of developing countries.	
23. Developing countries will continue to benefit from special and differential treatment under the provisions of Article 9.4 of the Agreement on Agriculture for a reasonable period, to be negotiated, after the phasing out of all forms of export subsidies and implementation of all disciplines identified above are completed.	SA supports the extension of Article 9.4 for a period beyond the complete implementation of the export competition pillar.	

Extracts from July Framework	SA position	Stakeholders' views/ comments
24. Members will ensure that the disciplines on export credits, export credit guarantees or insurance programs to be agreed will make appropriate provision for differential treatment in favour of least-developed and net food-importing developing countries as provided for in paragraph 4 of the Deision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries. Improved obligations for monitoring and surveillance of all new disciplines as foreshadowed in paragraph 48 will be critically important in this regard. Provisions to be agreed in this respect must not undermine the commitments undertaken by Members under the obligations in paragraph 18 above.	SA would like this provision to be implemented. However, the provisions should not be used as an excuse for not engaging in further reforms, especially reforms relating to export competition.	
25. STEs in developing country Members which enjoy special privileges to preserve domestic consumer price stability and to ensure food security will receive special consideration for maintaining monopoly status.	SA supports the use of STEs by developing country members in certain circumstances, but would prefer it to be for a limited period.	

Extracts from July Framework	SA position	Stakeholders' views/ comments
Special circumstances		
26. In exceptional circumstances, which cannot be adequately covered by food aid, commercial export credits or preferential international financing facilities, ad hoc temporary financcing arrangements relating to exports to developing countries may be agreed by Members. Such agreements must not have the effect of undermining commitments undertaken by Members in paragraph 18 above, and will be based on criteria and consultation procedures to be established.	Position unknown.	
MARKET ACCESS		
27. The Doha Ministerial Declaration calls for 'substantial improvements in market access'. Members also agreed that special and differential treatment for developing Members would be an integral part of all elements in the negotiations.		Stakeholders would like to see greater transparency in the formula developed to convert specific and mixed tariffs into ad valorem equivalents.
28. To ensure that a single approach for developed and developing country Members meets all the objectives of the Doha mandate, tariff reductions will be made through a tiered formula that takes into account their different tariff structures.	SA supports a tiered formula and the language referring to different tariff structures. It believes that the formula should be agreed first before the issue of flexibilities is addressed.	

Extracts from July Framework	**SA position**	**Stakeholders' views/ comments**
29. To ensure that such a formula will lead to substantial trade expansion, the following principles will guide its further negotiation:	SA supports the reference to 'substantial trade expansion'.	
Tariff reductions will be made from bound rates. Substantial overall tariff reductions will be achieved as a final result from negotiations.	SA would have preferred a reference to 'substantial and effective overall tariff reductions'.	
Each Member (other than LDCs) will make a contribution. Operationally effective special and differential provisions for developing country Members will be an integral part of all elements.	SA supports the concept of 'operationally effective special and differential provisions'.	
Progressivity in tariff reductions will be achieved through deeper cuts in higher tariffs with flexibilities for sensitive products. Substantial improvements in market access will be achieved for all products.	SA is happy with the last sentence and the affirmation that there will be substantial improvements for all products. It does not support flexibilities for sensitive products.	
30. The number of bands, the thresholds for defining the bands and the type of tariff reduction in each band remain under negotiation. The role of a tariff cap in a tiered formula with distinct treatment for sensitive products will be further evaluated.	SA supports the G20 proposal for five bands for developed countries and four bands for developing countries. It strongly favours a cap, and supports the G20 proposal of 100% for developed country members and 150% for developing country members (although it might have supported even lower caps).	

Extracts from July Framework	SA position	Stakeholders' views/ comments
Sensitive products		
Selection		
31. Without undermining the overall objective of the tiered approach, Members may designate an appropriate number, to be negotiated, of tariff lines to be treated as sensitive, taking account of existing commitments for these products.	SA does not support the concept of sensitive products, and would like it to be as limited as possible. Sensitive products should remain the exception, and some mechanism for limiting its use should be considered. SA believes it will be difficult to agree on 'an appropriate number'. The G20 has proposed that less than 1% of products should be treated as sensitive, and that not all of these should be heavily traded products.	SA industry wants items of key interest to be excluded from the negotiations under the category of sensitive products.
Treatment		
32. The principle of 'substantial improvement' will apply to each product.	SA would prefer this to apply to tariff lines rather than products.	
33. 'Substantial improvement' will be achieved through combinations of tariff quota commitments and tariff reductions applying to each product. However, balance in this negotiation will be found only if the final negotiated result also reflects the sensitivity of the product concerned.	SA does not support the implication that there may be different 'combinations' of tariff quotas for different sensitive products (ie, rather than the same formula applying to all sensitive products).	

Extracts from July Framework	SA position	Stakeholders' views/ comments
34. Some MFN-based tariff quota expansion will be required for all such products. A base for such an expansion will be established, taking account of coherent and equitable criteria to be developed in the negotiations. In order not to undermine the objective of the tiered approach, for all such products, MFN based tariff quota expansion will be provided under specific rules to be negotiated taking into account deviations from the tariff formula.	SA's position on tariff rate quotas differs from those of the G20 and the Cairns Group. To a certain extent, the SA position is reflected in this clause in that no broad-based TRQ expansion is required except in relation to sensitive products. The last sentence was important to the G20.	One stakeholder noted that tariff quotas usually benefited a limited number of countries only, and seldom led to increased investment or a substantive increase in production capacity or economic opportunities in competitive countries.
Other elements		
35. Other elements that will give the flexibility required to reach a final balancanced 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.	SA does not support the reduction or elimination of in-quota tariff rates. It has both offensive and defensive interests here. The reference to developing countries is important.	
36. Tariff escalation will be addressed through a formula to be agreed.	Effectively addressing tariff escalation is one of SA's major objectives under the market access pillar.	
37. The issue of tariff simplification remains under negotiation.	The G20 position is that all non ad valorem tariffs shall be bound in their ad valorem equivalent.	

Extracts from July Framework	SA position	Stakeholders' views/ comments
38. The question of the special agricultural safe-guard (SSG) remains under negotiation.	SA supports the elimination of the SSG at the start of the implementation period. It believes that some developed countries have used this tool to the detriment of developing countries.	
Special and differential treatment		
39. Having regard to their rural development, food security and/or livelihood security needs, special and differential treatment for developing countries will be an integral part of all elements of the negotiation, including the tariff reduction formula, the number and treatment of sensitive products, expansion of tariff rate quotas, and implementation period.	SA supports this reference and the expanded language referring to 'livelihood security'.	
40. Proportionality will be achieved by requiring lesser tariff reduction commitments or tariff quota expansion commitments from developing country Members.	SA firmly supports the concept of proportionality.	

Extracts from July Framework	SA position	Stakeholders' views/ comments
41. Developing country Members will have the flexibility to designate an appropriate number of products as Special Products, based on criteria of food security, livelihood security and rural development needs. These products will be eligible for more flexible treatment. The criteria and treatment of these products will be further specified during the negotiation phase and will recognize the fundamental importance of Special Products to developing countries.	This is an important provision for developing countries. SA is not opposed to the concept of Special Products, but is cautious about its indiscriminate use. This is particularly important for inter-African trade. SA supports the decision at Hong Kong to allow developing countries to self-designate Special Products.	Stakeholders do not want special products to be defined in a way that would prevent SA from using this provision to protect a number of vulnerable sectors.
42. A Special Safeguard Mechanism (SSM) will be established for use by developing country Members.	SA supports the creation of an SSM for developing countries, but would like to consider the conditions under which it is to be used. Again, this is particularly important in respect of inter-African trade.	
43. 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.	Position unknown.	

Extracts from July Framework	SA position	Stakeholders' views/ comments
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.	SA agrees that preference erosion needs to be addressed for those developing countries that rely on preferences. However, it does not support the long-term use of preferences as a tool for economic development. It would prefer industries in developing countries to be made more competitive by other means, such as capacity-building and the greater liberalisation of developed country markets. SA favours a package for addressing the adjustment costs of those countries that rely most heavily on preferences.	
LEAST-DEVELOPED COUNTRIES		
45. Least-Developed Countries, which will have full access to all special and differential treatment provisions above, are not required to undertake reduction commitments. Developed Members, and developing country Members in a position to do so, should provide duty-free and quota-free market access for products originating from least-developed countries.	SA supports the provision of duty-free and quota-free market access for LDCs. This was clearly expressed in the declaration in Hong Kong by all developing country WTO members.	
46. Work on cotton under all the pillars will reflect the vital importance of this sector to certain LDC Members and we will work to achieve ambitious results expeditiously.	See earlier comments on the cotton initiative.	

Extracts from July Framework	SA position	Stakeholders' views/ comments
RECENTLY ACCEDED MEMBERS		
47. The particular concerns of recently acceded Members will be effectively addressed through specific flexibility provisions.	SA supports flexibility for recently acceded members, and recognises that some RAMs, including China, have already made considerable concessions in their accession negotiations.	
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.	SA favours improved disciplines for monitoring and surveilance.	
OTHER ISSUES		
49. Issues of interest but not agreed: sectoral initiatives, differential export taxes, GIs.	SA does not favour these issues being added to the Doha Development Agenda, and has concerns regarding GIs.	Some stakeholders noted the failure to mention the peace clause., and viewed its expiry as a missed opportunity.
50. Disciplines on export prohibitions and restrictions in Article 12.1 of the Agreement on Agriculture will be strengthened.	Position unknown.	

RECOMMENDATIONS

SA is in a unique position in respect of the negotiations on agricultural trade at the WTO. It is an influential member of three of the key coalitions involved in the negotiations: the G20, the African Group, and the Cairns Group. It therefore has a good understanding of the concerns of a wide cross-section of WTO members. It could use this knowledge to pursue a result which is in line with its domestic concerns, as well as realistic in the context of the multilateral system. In order to do so, it must first get its own house in order. Thus the first recommendation of this study is that more information should be released about the WTO agriculture negotiations and SA's positions. One easy way of doing this would be to improve the DTI's website. This may help to spark a higher level of involvement by stakeholders.

The second recommendation also relates to the interaction between SA officials and stakeholders. The Agriculture Trade Forum is an excellent initiative, and seems to work fairly well. However, there seems to be space for more technical discussions in the forum, accompanied by broader consultations with other stakeholders who do not participate in it. Again, this could be done relatively easily by organising quarterly briefing sessions by trade negotiators, or publishing an electronic newsletter. A joint research agenda could be pursued, with the assistance of academics and others working in this area.

As regards policy, it is recommended that SA devote some resources to a more detailed consideration of its specific interests in the WTO negotiations. It was not possible to discuss all the SA positions in great depth with officials, but it does appear that SA has not yet identified the specific sectors or products in which it has offensive or defensive domestic interests. The focus to date seems to have been on achieving more general goals and in participating constructively in the groups, especially the G20, to which SA belongs. The first two recommendations may assist in this regard, as wider consultation will yield more information about the specific concerns of the SA agricultural industry and stakeholders. For example, some stakeholders expressed a concern that current SA trade policy would not benefit its many small farmers, and may in fact even disadvantage them in the short term. This needs to be considered, and the potential impact of specific policies on the entire agricultural sector must be taken into account.

Besides deepening its positions on certain aspects of the negotiations, it is recommended that SA should also pay intensive attention to areas in which it could play a strategic role, notably preferences and food aid. As a member of the African Group, SA has the ability to contribute to the formulation of the approach taken by a number of the key proponents on the issue of preferences. SA could therefore consider possible consensus outcomes that accommodate all members. Food aid is another issue on which SA should develop a firmer line. SA officials have already done some work on development concerns,[21] and this could be expanded into more concrete proposals for the negotiations following the Hong Kong Ministerial on effective disciplines for in-kind food aid, monetisation, and re-export.

21 Ismail F, A Brief Evaluation of the WTO July General Council Meeting: A Development Perspective, 16 October 2004.

APPENDIX A: JULY FRAMEWORK (ANNEX A)

Framework for establishing modalities in agriculture

4. The starting point for the current phase of the agriculture negotiations has been the mandate set out in Paragraph 13 of the Doha Ministerial Declaration. This in turn built on the long-term objective of the Agreement on Agriculture to establish a fair and market-oriented trading system through a programme of fundamental reform. The elements below offer the additional precision required at this stage of the negotiations and thus the basis for the negotiations of full modalities in the next phase. The level of ambition set by the Doha mandate will continue to be the basis for the negotiations on agriculture.
5. The final balance will be found only at the conclusion of these subsequent negotiations and within the Single Undertaking. To achieve this balance, the modalities to be developed will need to incorporate operationally effective and meaningful provisions for special and differential treatment for developing country Members. Agriculture is of critical importance to the economic development of developing country Members and they must be able to pursue agricultural policies that are supportive of their development goals, poverty reduction strategies, food security and livelihood concerns. Non-trade concerns, as referred to in Paragraph 13 of the Doha Declaration, will be taken into account.
6. The reforms in all three pillars form an interconnected whole and must be approached in a balanced and equitable manner.
7. The General Council recognizes the importance of cotton for a certain number of countries and its vital importance for developing countries, especially LDCs. It will be addressed ambitiously, expeditiously, and specifically, within the agriculture negotiations. The provisions of this Framework provide a basis for this approach, as does the sectoral initiative on cotton. The Special Session of the Committee on Agriculture shall ensure appropriate prioritization of the cotton issue independently from other sectoral initiatives. A subcommittee on cotton will meet periodically and report to the Special Session of the Committee on Agriculture to review progress. Work shall encompass all trade-distorting policies affecting the

sector in all three pillars of market access, domestic support, and export competition, as specified in the Doha text and this Framework text.

8. Coherence between trade and development aspects of the cotton issue will be pursued as set out in paragraph 1.b of the text to which this Framework is annexed.

Domestic support

6. The Doha Ministerial Declaration calls for 'substantial reductions in trade-distorting domestic support'. With a view to achieving these substantial reductions, the negotiations in this pillar will ensure the following:
   - Special and differential treatment remains an integral component of domestic support. Modalities to be developed will include longer implementation periods and lower reduction coefficients for all types of trade-distorting domestic support and continued access to the provisions under Article 6.2.
   - There will be a strong element of harmonization in the reductions made by developed Members. Specifically, higher levels of permitted trade-distorting domestic support will be subject to deeper cuts.
   - Each such Member will make a substantial reduction in the overall level of its trade-distorting support from bound levels.
   - As well as this overall commitment, Final Bound Total AMS and permitted de minimis levels will be subject to substantial reductions and, in the case of the blue box, will be capped as specified in paragraph 15 in order to ensure results that are coherent with the long-term reform objective. Any clarification or development of rules and conditions to govern trade distorting support will take this into account.

Overall reduction: a tiered formula

7. The overall base level of all trade-distorting domestic support, as measured by the Final Bound Total AMS plus permitted de minimis level and the level agreed in paragraph 8 below for blue box payments, will be reduced according to a tiered formula. Under this formula, Members having higher

levels of trade-distorting domestic support will make greater overall reductions in order to achieve a harmonizing result. As the first installment of the overall cut, in the first year and throughout the implementation period, the sum of all trade-distorting support will not exceed 80 per cent of the sum of Final Bound Total AMS plus permitted de minimis plus the blue box at the level determined in paragraph 15.

8. The following parameters will guide the further negotiation of this tiered formula:
   - This commitment will apply as a minimum overall commitment. It will not be applied as a ceiling on reductions of overall trade-distorting domestic support, should the separate and complementary formulae to be developed for Total AMS, de minimis and blue box payments imply, when taken together, a deeper cut in overall trade-distorting domestic support for an individual Member.
   - The base for measuring the blue box component will be the higher of existing blue box payments during a recent representative period to be agreed and the cap established in paragraph 15 below.

Final Bound Total AMS: a tiered formula

9. To achieve reductions with a harmonizing effect:
   - Final Bound Total AMS will be reduced substantially, using a tiered approach.
   - Members having higher Total AMS will make greater reductions.
   - To prevent circumvention of the objective of the Agreement through transfers of unchanged domestic support between different support categories, product-specific AMS will be capped at their respective average levels according to a methodology to be agreed.
   - Substantial reductions in Final Bound Total AMS will result in reductions of some product-specific support.
10. Members may make greater than formula reductions in order to achieve the required level of cut in overall trade-distorting domestic support.

De minimis

11. Reductions in *de minimis* will be negotiated taking into account the principle of special and differential treatment. Developing countries that allocate almost all *de minimis* support for subsistence and resource-poor farmers will be exempt.
12. Members may make greater than formula reductions in order to achieve the required level of cut in overall trade-distorting domestic support.

Blue box

13. Members recognize the role of the blue box in promoting agricultural reforms. In this light, Article 6.5 will be reviewed so that Members may have recourse to the following measures:
    - Direct payments under production-limiting programmes if:
      – such payments are based on fixed and unchanging areas and yields; or
      – such payments are made on 85% or less of a fixed and unchanging base level of production; or
      – livestock payments are made on a fixed and unchanging number of head.

    OR
    - Direct payments that do not require production if:
      – such payments are based on fixed and unchanging bases and yields; or
      – livestock payments made on a fixed and unchanging number of head; and
      – such payments are made on 85% or less of a fixed and unchanging base level of production.
14. The above criteria, along with additional criteria will be negotiated. Any such criteria will ensure that blue box payments are less trade-distorting than AMS measures, it being understood that:
    - Any new criteria would need to take account of the balance of WTO rights and obligations.

- Any new criteria to be agreed will not have the perverse effect of undoing ongoing reforms.

15. Blue box support will not exceed 5% of a Member's average total value of agricultural production during an historical period. The historical period will be established in the negotiations. This ceiling will apply to any actual or potential blue box user from the beginning of the implementation period. In cases where a Member has placed an exceptionally large percentage of its trade-distorting support in the blue box, some flexibility will be provided on a basis to be agreed to ensure that such a Member is not called upon to make a wholly disproportionate cut.

Green box

16. Green box criteria will be reviewed and clarified with a view to ensuring that green box measures have no, or at most minimal, trade-distorting effects or effects on production. Such a review and clarification will need to ensure that the basic concepts, principles and effectiveness of the green box remain and take due account of non-trade concerns. The improved obligations for monitoring and surveillance of all new disciplines foreshadowed in paragraph 48 below will be particularly important with respect to the green box.

Export competition

17. The Doha Ministerial Declaration calls for 'reduction of, with a view to phasing out, all forms of export subsidies'. As an outcome of the negotiations, Members agree to establish detailed modalities ensuring the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect by a credible end date.

End point

18. The following will be eliminated by the end date to be agreed:
    - Export subsidies as scheduled.
    - Export credits, export credit guarantees or insurance programmes with repayment periods beyond 180 days.
    - Terms and conditions relating to export credits, export credit guarantees or insurance programmes with repayment periods of 180 days and below which are not in accordance with disciplines to be agreed. These disciplines will cover, inter alia, payment of interest, minimum interest rates, minimum premium requirements, and other elements which can constitute subsidies or otherwise distort trade.
    - Trade distorting practices with respect to exporting STEs including eliminating export subsidies provided to or by them, government financing, and the underwriting of losses. The issue of the future use of monopoly powers will be subject to further negotiation.
    - Provision of food aid that is not in conformity with operationally effective disciplines to be agreed. The objective of such disciplines will be to prevent commercial displacement. The role of international organizations as regards the provision of food aid by Members, including related humanitarian and developmental issues, will be addressed in the negotiations. The question of providing food aid exclusively in fully grant form will also be addressed in the negotiations.
19. Effective transparency provisions for paragraph 18 will be established. Such provisions, in accordance with standard WTO practice, will be consistent with commercial confidentiality considerations.

Implementation

20. Commitments and disciplines in paragraph 18 will be implemented according to a schedule and modalities to be agreed. Commitments will be implemented by annual installments. Their phasing will take into account the need for some coherence with internal reform steps of Members.

21. The negotiation of the elements in paragraph 18 and their implementation will ensure equivalent and parallel commitments by Members.

Special and differential treatment

22. Developing country Members will benefit from longer implementation periods for the phasing out of all forms of export subsidies.
23. Developing countries will continue to benefit from special and differential treatment under the provisions of Article 9.4 of the Agreement on Agriculture for a reasonable period, to be negotiated, after the phasing out of all forms of export subsidies and implementation of all disciplines identified above are completed.
24. Members will ensure that the disciplines on export credits, export credit guarantees or insurance programs to be agreed will make appropriate provision for differential treatment in favour of least-developed and net food-importing developing countries as provided for in paragraph 4 of the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries. Improved obligations for monitoring and surveillance of all new disciplines as foreshadowed in paragraph 48 will be critically important in this regard. Provisions to be agreed in this respect must not undermine the commitments undertaken by Members under the obligations in paragraph 18 above.
25. STEs in developing country Members which enjoy special privileges to preserve domestic consumer price stability and to ensure food security will reeive special consideration for maintaining monopoly status.

Special circumstances

26. In exceptional circumstances, which cannot be adequately covered by food aid, commercial export credits or preferential international financing facilities, ad hoc temporary financing arrangements relating to exports to developing countries may be agreed by Members. Such agreements must not have the effect of undermining commitments undertaken by Members in

paragraph 18 above, and will be based on criteria and consultation procedures to be established.

Market access

27. The Doha Ministerial Declaration calls for 'substantial improvements in market access'. Members also agreed that special and differential treatment for developing Members would be an integral part of all elements in the negotiations.

The single approach: a tiered formula

28. To ensure that a single approach for developed and developing country Members meets all the objetives of the Doha mandate, tariff reductions will be made through a tiered formula that takes into account their different tariff structures.
29. To ensure that such a formula will lead to substantial trade expansion, the following principles will guide its further negotiation:
    - Tariff reductions will be made from bound rates. Substantial overall tariff reductions will be achieved as a final result from negotiations.
    - Each Member (other than LDCs) will make a contribution. Operationally effective special and differential provisions for developing country Members will be an integral part of all elements.
    - Progressivity in tariff reductions will be achieved through deeper cuts in higher tariffs with flexibilities for sensitive products. Substantial improvements in market access will be achieved for all products.
30. The number of bands, the thresholds for defining the bands and the type of tariff reduction in each band remain under negotiation. The role of a tariff cap in a tiered formula with distinct treatment for sensitive products will be further evaluated.

Sensitive products

Selection

31. Without undermining the overall objective of the tiered approach, Members may designate an appropriate number, to be negotiated, of tariff lines to be treated as sensitive, taking account of existing commitments for these products.

Treatment

32. The principle of 'substantial improvement' will apply to each product.
33. 'Substantial improvement' will be achieved through combinations of tariff quota commitments and tariff reductions applying to each product. However, balance in this negotiation will be found only if the final negotiated result also reflects the sensitivity of the product concerned.
34. Some MFN-based tariff quota expansion will be required for all such products. A base for such an expansion will be established, taking account of coherent and equitable criteria to be developed in the negotiations. In order not to undermine the objective of the tiered approach, for all such products, MFN based tariff quota expansion will be provided under specific rules to be negotiated taking into account deviations from the tariff formula.

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

39. Having regard to their rural development, food security and/or livelihood security needs, special and differential treatment for developing countries will be an integral part of all elements of the negotiation, including the tariff reduction formula, the number and treatment of sensitive products, expansion of tariff rate quotas, and implementation period.
40. Proportionality will be achieved by requiring lesser tariff reduction commitments or tariff quota expansion commitments from developing country Members.
41. Developing country Members will have the flexibility to designate an appropriate number of products as Special Products, based on criteria of food security, livelihood security and rural development needs. These products will be eligible for more flexible treatment. The criteria and treatment of these products will be further specified during the negotiation phase and will recognize the fundamental importance of Special Products to developing countries.
42. A Special Safeguard Mechanism (SSM) will be established for use by developing country Members.
43. Full implementation of the long-standing commitment to achieve the fullest liberalisation of trade in tropical agricultural proucts 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. 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.

Least-developed countries

45. Least-Developed Countries, which will have full access to all special and differential treatment provisions above, are not required to undertake reduction commitments. Developed Members, and developing country

Members in a position to do so, should provide duty-free and quota-free market access for products originating from least-developed countries.

46. Work on cotton under all the pillars will reflect the vital importance of this sector to certain LDC Members and we will work to achieve ambitious results expeditiously.

Recently acceded members

47. The particular concerns of recently acceded Members will be effectively addressed through specific flexibility provisions.

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.

Other issues

49. Issues of interest but not agreed: sectoral initiatives, differential export taxes, GIs.
50. Disciplines on export prohibitions and restrictions in Article 12.1 of the Agreement on Agriculture will be strengthened.

APPENDIX B: LIST OF STAKEHOLDERS

Farmers' organisations

- Agri SA (meeting held)
- National African Farmers' Union (sent copy of draft)
- Transvaal Agricultural Union (sent copy of draft)
- Business Unity SA (sent copy of draft)

Agricultural business houses

- Agricultural Business Chamber (sent copy of draft)
- National Agricultural Marketing Council (sent copy of draft)
- Cotton SA (sent copy of draft)
- SA Sugar Association (sent copy of draft)

Consumer groups and other civil society organisations (especially women's groups)

- SA Foundation (sent copy of draft)
- Oxfam (meeting held)
- Seatini (sent copy of draft)
- Human Rights Commission (meeting held)
- Emezat Hailu (sent copy of draft)

Studying women in trade policy

- Women in International Trade SA (sent copy of draft)
- Bodies representing workers in the agricultural sector
- COSATU – Food and Allied Workers Union, SA Agricultural Plantation and Allied Workers Union (meeting held)
- Government officials
- Xavier Carim, Chief Director: Trade Policy and Negotiations, International Trade and Economic Development Division, Department of Trade and Industry (meeting held)

- Attie Swart and Gerda van Dijk, National Department of Agriculture (meeting held)
- Brendan Vickers, The Presidency (meeting held)
- Theo Malherbe, Economic Policy and Programming, Department of Foreign Affairs (meeting held)

WTO experts (researchers, academics)

- TIPS (meeting held)
- Trade Law Centre (sent copy of draft)
- Professor Loretta Ferris, Department of Public Law, Faculty of Law, University of Pretoria
- Professor Johann Kirsten, University of Pretoria (sent copy of draft)
- Rashid Cassim, Wits University (sent copy of draft)

APPENDIX C: BACKGROUND NOTE ON THE WTO AGREEMENT ON AGRICULTURE

From the WTO website (http://www.wto.org)

The negotiations have resulted in four main portions of the Agreement; the Agreement on Agriculture itself; the concessions and commitments Members are to undertake on market access, domestic support and export subsidies; the Agreement on Sanitary and Phytosanitary Measures; and the Ministerial Decision concerning Least-Developed and Net Food-Importing Developing countries.

Overall, the results of the negotiations provide a Framework for the long-term reform of agricultural trade and domestic policies over the years to come. It makes a decisive move towards the objective of increased market orientation in agricultural trade. The rules governing agricultural trade are strengthened which will lead to improved predictability and stability for importing and exporting countries alike.

The agricultural package also addresses many other issues of vital economic and political importance to many Members. These include provisions that encourage the use of less trade-distorting domestic support policies to maintain the rural economy, that allow actions to be taken to ease any adjustment burden, and also the introduction of tightly prescribed provisions that allow some flexibility in the implementation of commitments. Specific concerns of developing countries have been addressed including the concerns of net-food importing countries and least-developed countries.

The agricultural package provides for commitments in the area of market access, domestic support and export competition. The text of the Agricultural Agreement is mirrored in the GATT Schedules of legal commitments relating to individual countries (see above).

In the area of market access, non-tariff border measures are replaced by tariffs that provide substantially the same level of protection. Tariffs resulting from this ‘tariffication’ process, as well as other tariffs on agricultural products, are to be reduced by an average 36 per cent in the case of developed countries and 24 per cent in the case of developing countries, with minimum reductions for each tariff line being required. Reductions are to be undertaken over six years in the case of developed countries and over ten years in the case of developing countries. Least-developed countries are not required to reduce their tariffs.

The tariffication package also provides for the maintenance of current access opportunities and the establishment of minimum access tariff quotas (at reduced-tariff rates) where current access is less than 3 per cent of domestic consumption. These minimum access tariff quotas are to be expanded to 5 per cent over the implementation period. In the case of 'tariffied' products 'special safeguard' provisions will allow additional duties to be applied in case shipments at prices denominated in domestic currencies below a certain reference level or in case of a surge of imports. The trigger in the safeguard for import surges depends on the 'import penetration' currently existing in the market, i.e. where imports currently make up a large proportion of consumption, the import surge required to trigger the special safeguard action is lower.

Domestic support measures that have, at most, a minimal impact on trade ('green box' policies) are excluded from reduction commitments. Such policies include general government services, for example in the areas of research, disease control, infrastructure and food security. It also includes direct payments to producers, for example certain forms of 'decoupled' (from production) income support, structural adjustment assistance, direct payments under environmental programmes and under regional assistance programmes.

In addition to the green box policies, other policies need not be included in the Total Aggregate Measurement of Support (Total AMS) reduction commitments. These policies are direct payments under production-limiting programmes, certain government assistance measures to encourage agricultural and rural development in developing countries and other support which makes up only a low proportion (5 per cent in the case of developed countries and 10 per cent in the case of developing countries) of the value of production of individual products or, in the case of non-product-specific support, the value of total agricultural production.

The Total AMS covers all support provided on either a product-specific or non-product-specific basis that does not qualify for exemption and is to be reduced by 20 per cent (13.3 per cent for developing countries with no reduction for least-developed countries) during the implementation period.

Members are required to reduce the value of mainly direct *export subsidies* to a level 36 per cent below the 1986-90 base period level over the six-year implementation period, and the quantity of subsidised exports by 21 per cent over the same period. In the case of developing countries, the reductions are two-thirds those of developed countries over a ten-year period (with no reductions applying to the least-developed countries) and subject to certain conditions, there are no commitments on subsidies to reduce the costs of marketing exports of agricultural products or internal transport and freight charges on export shipments. Where subsidised exports have increased since the 1986-90 base period, 1991-92 may be used, in certain circumstances, as the beginning point of reductions although the end-point remains that based on the 1986-90 base period level. The Agreement on Agriculture provides for some limited flexibility between years in terms of export subsidy reduction commitments and contains provisions aimed at preventing the circumvention of the export subsidy commitments and sets out criteria for food aid donations and the use of export credits.

'Peace' provisions within the agreement include: an understanding that certain actions available under the Subsidies Agreement will not be applied with respect to green box policies and domestic support and export subsidies maintained in conformity with commitments; an understanding that 'due restraint' will be used in the application of countervailing duty rights under the General Agreement; and setting out limits in terms of the applicability of nullification or impairment actions. These peace provisions will apply for a period of 9 years.

The agreement sets up a committee that will monitor the implementation of commitments, and also monitor the follow-up to the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries.

The package is conceived as part of a continuing process with the long-term objective of securing substantial progressive reductions in support and protection. In this light, it calls for further negotiations in the fifth year of implementation which, along with an assessment of the first five years, would take into account non-trade concerns, special and differential treatment for developing countries, the objective to establish a fair and market-oriented agricultural trading system and other concerns and objectives noted in the preamble to the agreement.

Agreement on Sanitary and Phytosanitary Measures

This agreement concerns the application of sanitary and phytosanitary measures – in other words food safety and animal and plant health regulations. The agreement recognises that governments have the right to take sanitary and phytosanitary measures but that they should be applied only to the extent necessary to protect human, animal or plant life or health and should not arbitrarily or unjustifiably discriminate between Members where identical or similar conditions prevail.

In order to harmonize sanitary and phytosanitary measures on as wide a basis as possible, Members are encouraged to base their measures on international standards, guidelines and recommendations where they exist. However, Members may maintain or introduce measures which result in higher standards if there is scientific justification or as a consequence of consistent risk decisions based on an appropriate risk assessment. The Agreement spells out procedures and criteria for the assessment of risk and the determination of appropriate levels of sanitary or phytosanitary protection.

It is expected that Members would accept the sanitary and phytosanitary measures of others as equivalent if the exporting country demonstrates to the importing country that its measures achieve the importing country's appropriate level of health protection. The agreement includes provisions on control, inspection and approval procedures.

Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries

It is recognized that during the reform programme least-developed and net food-importing developing countries may experience negative effects with respect to supplies of food imports on reasonable terms and conditions. Therefore, a special Decision sets out objectives with regard to the provision of food aid, the provision of basic foodstuffs in full grant form and aid for agricultural development. It also refers to the possibility of assistance from the International

Monetary Fund and the World Bank with respect to the short-term financing of commercial food imports. The Committee of Agriculture, set up under the Agreement on Agriculture, monitors the follow-up to the Decision.

APPENDIX D: BACKGROUND NOTE ON DOMESTIC SUPPORT AND THE 'BOXES'

From the WTO website – http://www.wto.org

1 October 2002
Domestic support in agriculture

The boxes

In WTO terminology, subsidies in general are identified by 'boxes' which are given the colours of traffic lights: green (permitted), amber (slow down — i.e. be reduced), red (forbidden). In agriculture, things are, as usual, more complicated. The Agriculture Agreement has no red box, although domestic support exceeding the reduction commitment levels in the amber box is prohibited; and there is a blue box for subsidies that are tied to programmes that limit production. There are also exemptions for developing countries (sometimes called an 'S&D box', including provisions in Article 6.2 of the agreement).

Amber box

All domestic support measures considered to distort production and trade (with some exceptions) fall into the amber box, which is defined in Article 6 of the Agriculture Agreement as all domestic supports except those in the blue and green boxes. These include measures to support prices, or subsidies directly related to production quantities. These supports are subject to limits: 'de minimis' minimal supports are allowed (5% of agricultural production for developed countries, 10% for developing countries); the 30 WTO members that had larger subsidies than the de minimis levels at the beginning of the post-Uruguay Round reform period are committed to reduce these subsidies. The reduction commitments are expressed in terms of a 'Total Aggregate Measurement of Support' (Total AMS) which includes all supports for specified products together with supports that are not for specific products, in one single figure. In the current negotiations, various proposals deal with how much further these subsidies should be reduced, and whether limits should be set for specific products rather than continuing with the single overall 'aggregate' limits. In the Agriculture Agreement, AMS is defined in Article 1 and Annexes 3 and 4.

Blue box

This is the 'amber box with conditions' – conditions designed to reduce distortion. Any support that would normally be in the amber box, is placed in the blue box if the support also requires farmers to limit production (details set out in Paragraph 5 of Article 6 of the Agriculture Agreement). At present there are no limits on spending on blue box subsidies. In the current negotiations, some countries want to keep the blue box as it is because they see it as a crucial means of moving away from distorting amber box subsidies without causing too much hardship. Others wanted to set limits or reduction commitments, some advocating moving these supports into the amber box.

Green box

The green box is defined in Annex 2 of the Agriculture Agreement. In order to qualify, green box subsidies must not distort trade, or at most cause minimal distortion (paragraph 1). They have to be government-funded (not by charging consumers higher prices) and must not involve price support. They tend to be programmes that are not targeted at particular products, and include direct income supports for farmers that are not related to (are 'decoupled' from) current production levels or prices. They also include environmental protection and regional development programmes. 'Green box' subsidies are therefore allowed without limits, provided they comply with the policy-specific criteria set out in Annex 2. In the current negotiations, some countries argue that some of the subsidies listed in Annex 2 might not meet the criteria of the annex's first paragraph – because of the large amounts paid, or because of the nature of these subsidies, the trade distortion they cause might be more than minimal. Among the subsidies under discussion here are: direct payments to producers (paragraph 5), including decoupled income support (paragraph 6), and government financial support for income insurance and income safety-net programmes (paragraph 7), and other paragraphs. Some other countries take the opposite view – that the current criteria are adequate, and might even need to be made more flexible to take better account of non-trade concerns such as environmental protection and animal welfare.

More:
http://www.wto.org/english/tratop_e/agric_e/agric_e.htm and
http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm