WTO and Agricultural Trade – Some Issues and Perspectives

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ABSTRACT

In the Uruguay Round Agreement, the rules governing agricultural trade were changed fundamentally. Members have agreed to convert all non-tariff agricultural barriers (NTBs) to ordinary tariffs, to bind all agricultural tariffs, and to subject them to reductions. Members have also agreed to establish tariff-rate quotas (TRQs) to preserve historical trade levels and to create some new trade opportunities in highly protected markets. Some reductions in agricultural tariffs also were achieved. Nonetheless, agricultural tariffs remain to be very high for some politically sensitive products in some developing countries, limiting the trade benefits from the new rules. The failure of trade negotiators, who met at Geneva to narrow their differences on the modalities of compiling detailed cuts in tariffs and agricultural subsidies, is no doubt a setback to multilateral trade negotiations. This paper analyses the impact of WTO agricultural trade policies on developing economies. An attempt is made to discuss the benefits and risks for agricultural trade associated with the changes in international trade. The paper also delves agricultural reforms that were introduced by the GATT prior to 1995. The paper examines whether the reforms were useful for the developing countries or not. By way of a summing up, some insights are set out to provoke analysis and debate on the controversial WTO talks.

Keywords: WTO, Agriculture Tariff, GATT, Market Access, Developing Countries, Quotas

JEL. Classification: Q16; Q 18

1. INTRODUCTION

The Uruguay Round of Multilateral Trade Negotiations was completed in 1994 with the signing of the Uruguay Round Agreements at Marrakesh. The Round produced a number of important achievements, including replacing the General Agreement on Tariffs and Trade (GATT) as an

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institutional framework for overseeing trade negotiations and adjudicating trade disputes, with the World Trade Organization, and extending GATT/WTO rules of trade to new areas such as intellectual property and services. Among the most significant accomplishments of the Uruguay Round were its focus on the treatment of agricultural trade under the GATT and the resulting new disciplines on agricultural trade policy (Yeats 1987; Bhagwati, David and Panagariya 1998; Rena 2006a).

Until the Uruguay Round, agriculture received special treatment under GATT trade rules through loopholes, exceptions, and exemptions from most of the disciplines applying to manufactured goods. As a result, the GATT allowed countries to use measures disallowed for other sectors (e.g., export subsidies), and enabled countries to maintain a multitude of non-tariff barriers that restricted trade in agricultural products. Participants in the Uruguay Round continued the GATT's special treatment of agricultural trade by agreeing to separate disciplines on agriculture in the Agreement on Agriculture (URAA), but initiated a process aimed at reducing or limiting the exemptions and bringing agriculture more fully under GATT disciplines (Finger, Merlinda and Ulrich 1996; Bhagwati, David and Panagariya 1998; Merlinda and Johan 2004).

Under the Agreement, countries agreed to substantially reduce agricultural support and protection by establishing disciplines in the areas of market access, domestic support, and export subsidies. Under market access, countries agreed to open markets by prohibiting non-tariff barriers (including quantitative import restrictions, variable import levies, discretionary import licensing, and voluntary export restraints), converting existing non-tariff barriers to tariffs, and reducing tariffs. URAA signatory countries also agreed to reduce expenditures on export subsidies and the quantity of agricultural products exported with subsidies, and prohibits the introduction of new export subsidies for agricultural products. Domestic support reductions were realized through commitments to reduce an aggregate measure of support (AMS), a numerical measure of the value of most trade distorting domestic policies. The agreement is implemented over a 6-year period, 1995-2000 (Rena, 2006a).

1.1 The Role of Tariffs in Trade and in the GATT

The original preamble to the GATT (1947) sought reciprocal and mutually advantageous reductions in tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce. It was recognized that expansion of the trade could increase production, raise living standards, and encourage full employment through more efficient use of global resources. A basic GATT principle is that protection of domestic industries, where deemed politically necessary, should be provided through the least distorting means, i.e. by customs tariffs administered without discrimination. Maximum tariff levels also should be "bound," a guarantee that tariffs cannot exceed negotiated levels without consultation and compensation where appropriate (Finger and Andrzej 1987; Yeats 1987; Merlinda and Johan 2004).

The traditional focus of the GATT on tariffs reflects the ability of fixed tariffs to provide protection to domestic production while preserving essential benefits of markets. Fixed tariffs allow traders to know reliably what levies they must pay, in percentage or absolute terms, and assure the right to do business on those terms, establishing a stable and predictable basis for international trade. Fixed tariffs also preserve the transmission of price signals to producers and consumers, encouraging a more efficient allocation of resources and increased production, income, and employment. The level of protection provided by tariffs to any national sector is also transparent and therefore more susceptible to negotiations among governments (Laird and Yeats 1987; Bernard, Aadiya and Phillip 2004).

Unfortunately, the benefits of a stable tariff regime are not achieved when bound tariffs are high and tariffs actually applied are manipulated in response to market conditions. While lower applied tariffs are more conducive to trade than higher bound tariffs, varying applied tariffs interfere with global price transmission and undermine the transparency and predictability of international trade. Most countries have published national tariff schedules which do not change arbitrarily (Rena 2006b). However, when some countries manipulate applied tariffs to insulate domestic producers and consumers from the need to adjust to movements in world prices, the burden of those adjustments is concentrated on fewer countries, world price instability is increased, and the global efficiency of resource allocation and global income are reduced (Panagariya 2000).

1.2 Material and Organization of the Study

This paper is based on the secondary sources of data collected from different reports particularly from GATT, WTO, World Bank, IMF and other related organizations. An attempt is made in this paper to analyse the WTO and its impact on the agricultural sector of developing countries. This paper has been organized into six sections. Second section provides early GATT rounds and agriculture sector. Section three discusses about the tariff rate quotas and their impact on the establishment of market access opportunities. Section four deals with issues mainly what remain for next round of WTO and also discusses the approaches to negotiate tariff reductions. Section five provides the results and discussion on the paper with a particular focus on the WTO and Doha round talks and the final section gives concluding remarks.

2. EARLY GATT ROUNDS AND AGRICULTURE

Early GATT rounds successfully reduced the average bound tariff rate on industrial goods from 40 per cent in 1945 to near 6 per cent in 1978, following full implementation of the Tokyo Round. The Uruguay Round further reduced average industrial tariffs to 4 per cent (Chattin and Robert 1989). The story of agricultural tariffs has been very different. Political concerns for declining agricultural employment and low incomes impeded negotiations on tariff reductions and led to several general or country-specific exemptions that virtually absolved agriculture from most disciplines applied to industrial trade. The most important exemption for market access was an exemption in Article XI: 2 from the general prohibition on quantitative trade restrictions. Agriculture was not fully integrated into general tariff reduction negotiations during the first seven GATT rounds (FAO 1995).

Before the Uruguay Round, only 58 percent of the agricultural tariffs of the developed economies were bound in the GATT, compared with 78 percent of industrial tariffs. Even after the Uruguay Round, bound agricultural tariffs now average over 40 percent ad valorem, roughly equivalent to the average for industrial tariffs at the end of World War II. The reduction of agricultural tariffs remains a large task for negotiators in the next round. GATT experience with industrial tariffs provides some options for approaching agricultural tariff negotiations. However, that the GATT's success on industrial tariffs took eight rounds of negotiations over 50 years provides some perspective on the challenge. The challenge in agriculture remains a special one because of the continuing strong aversion of important WTO members to subject agriculture to the same disciplines applied to other sectors (Baldwin 1987; Finger and Andrzej 1987).

2.1 The URAA Succeeds in Reforming the Rules for Agriculture

Market access provisions of the Uruguay Round Agreement established disciplines on trade distorting practices while maintaining historical trade volumes and assuring some increased access to highly protected markets. Most importantly, NTBs were banned, including quantitative import restrictions, variable import levies, discretionary import licensing, non-tariff measures maintained through state trading enterprises, voluntary export restraints, and similar border measures—all measures other than ordinary customs duties. NTBs could be "tariffied", i.e. converted to ordinary tariffs ((Baldwin 1987; Finger and Andrzej 1987). All pre-existing and new tariffs were to be bound and subjected to reductions. The establishment of bindings for all also was an important achievement of the Uruguay Round, providing a basis for negotiations in further WTO rounds. To avoid any negative impact on trade related to tariffication, access quotas equal to historical trade levels were established to maintain access for commodities subject to tariffication, or access quotas providing minimum access opportunities were established where trade had been minimal. The special exemption under GATT article XI: 2, allowing quantitative restrictions in agricultural trade, were effectively eliminated. As part of this process, the United States also agreed to give up its waiver, under which it had maintained import quotas, and to convert Section 22 quotas to tariffs (Chattin and Robert 1989; Bhagwati, David and Panagariya 1998; Panagariya 2000).

2.2 The URAA Achieves Some Reductions of Protection and Increases in Trade

The rules and principles governing agricultural market access and other agricultural and trade policies were rewritten radically in the Uruguay Round. Some reductions in tariffs also were achieved, providing tangible increases in some agricultural trade flows. However, for more politically sensitive trade flows, many member countries endeavored, in the details of the agreement, to limit the implications of the new rules for those sensitive sectors, limiting reduction in effective protection or increases in trade. The sectors that are sensitive vary among member countries, but dairy and sugar are sensitive in most developed countries. Member countries agreed to principles and some specific parameters for tariffication, tariff reductions, and the establishment of tariff-rate quotas that were provided as guidelines. However, the guidelines had no legal status and, overall, were sufficiently general to allow members considerable latitude in their implementation (Finger and Andrzej 1987; Rena, 2006b). Members were legally committed only to whatever provisions they included in the schedule of commitments which each member provided for inclusion in the final agreement, regardless of correspondence with the guidelines. The new Uruguay Round rules are the important initial step towards more significant expansion of agricultural trade through further tightening of the disciplines combined with credible enforcement (Wu 2005).

The guidelines for tariffication directed countries to establish a tariff equivalent to the effective gap between domestic and world prices that had resulted from application of NTBs in a specified base period. Some countries exaggerated measures of domestic prices or understated measures of world prices, increasing the apparent gap between domestic and world prices and increasing the new tariff established. This practice, aptly known as "dirty tariffication," was most commonly employed where support for domestic production was most politically sensitive. The base period chosen, 1986-88, was a time of very high protection levels, contributing further to the setting of high tariffs under tariffication. Other very high tariffs resulted from ceiling bindings by many developing countries in cases where tariffs had not previously been bound. In many cases, these new bindings were significantly above applied rates. Many agricultural tariffs did not result from tariffication but existed before the Uruguay Round, but dirty tariffication and new ceiling bindings resulted in some cases in new bound tariffs that provided greater protection than had previously existed (Wu 2005; Rena 2006a). A World Bank study has estimated that the final bound agricultural

tariff rates after implementation of the Uruguay Round will be below the level of protection estimated to have existed prior to the round for only 13.5 percent of world agricultural trade. (Finger, Merlinda and Ulrich 1996).

The guidelines for tariff reduction commitments also provided considerable flexibility that allowed actual cuts in protection to be minimized for more sensitive sectors. Members agreed to reduce all preexisting and newly created tariffs by an average of 36 percent, but no less than 15 percent for any tariff, a modest reduction given the level of agricultural tariffs. New tariffs created through tariffication were subject to the same reductions, but in those cases where dirty tariffication had established tariffs providing greater protection than the NTBs they replaced, subsequent reductions were less meaningful than the nominal percentage reduction. The requirement for reductions of 36 percent, on a simple average basis, had limited significance. The tariffs are most critical for protection of domestic agriculture. By making rather large cuts in tariffs for commodities that do not compete with domestic production or large percentage cuts in tariffs that already were very low, the 36-percent average reduction could be achieved with minimal cuts in politically sensitive tariffs. For example, reducing a 3-percent tariff to 1 percent is a 67-percent cut, which combines with a 15-percent cut on an important commodity for a 41-percent average reduction. Achieving the required 36 percent average also could be assisted by relatively large reductions for tariffs newly established through dirty tariffication at very high levels, allowing relatively large percentage reductions without meaningful loss of protection (Josling and Stefan 1994; Bernard, Aadiya and Phillip 2004).

Very large tariffs, particularly those very much larger than necessary to protect the difference in domestic and world prices, are often called “megatariffs”. Where megatariffs exist, it is common for tariffs actually applied to be less, sometimes much less, than bound tariffs. It is expected generally that larger tariffs were reduced by smaller percentages since it is political sensitivity that leads to both high tariffs and reluctance to reduce them. In many of the cases in which high tariffs are to be reduced by a large percentage, the final bound tariffs will still be significantly higher than current tariffs actually applied. Thus these reductions, while large, will have no impact on trade (Bernard, Aadiya and Phillip 2004; Rena, 2006a).

3. TARIFF RATE QUOTAS ESTABLISH ACCESS OPPORTUNITIES

Recognizing that tariffication would not necessarily guarantee increased trade and that “dirty tariffication” actually could increase protection, members agreed to establish quotas to maintain historical trade levels or to increase trade where historical trade had been minimal. The guidelines provided for tariff-rate-quotas (TRQs) equal to the amount of imports in a recent historical period or a minimum percentage of consumption in that period, whichever was larger. These quotas are called tariff-rate quotas (TRQs) because a within-quota tariff lower than the bound rate is applied to imports up to the quota amount. Imports beyond the quota amount incur a higher bound most-favored-nation (MFN) rate (Panagariya 2000).

The guidelines adopted for tariff-rate quotas, like those for tariffication and tariff reductions, provided considerable latitude in the calculation of specific commitments, including quota volumes, and the setting of within-quota tariff rates. Some countries calculated the quota at a broad level of product aggregation, such as “meat” or “dairy products,” and then allocated the total TRQ among the components of the aggregates, perhaps arbitrarily. Quotas of individual commodities could be set to minimize the effect on sensitive commodities. In some cases, the aggregate quotas were not allocated to individual commodities, leaving flexibility to allocate quantities based on market

conditions. Specific requirements for the allocation of quotas were not specified, and allocation and administration of TRQs remains an issue, particularly concerning adherence to the MFN principle, which would forbid discrimination against imports from any WTO member country. The guidelines called for TRQs to be established for all tariffied commodities, but they were not established in all cases. To generate the full quota volume of trade, the within-quota tariff must be less than the gap between the domestic and world price that results after implementation of the TRQ, allowing profitable trade for the full quota amount. Quotas may not be filled or trade may not result if the within-quota tariff is too high. Trade also will not result if domestic prices are not above world price levels, even with a zero within-quota tariff (Josling and Stefan 1994; Krishna and Mitra 2005).
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The URAA also established special safeguard provisions for products subject to tariffication, which allow countries to temporarily apply higher tariff rates in response to sudden import surges or drops in prices. The safeguards are triggered if the volume of imports exceeds the average of the previous 3 years by a certain percentage (which differs depending on the imports' proportion of consumption) or if the price of the imported product drops at least 10 percent below the base period world reference price (Bernard, Aadiya and Phillip 2004; Rena, 2006a).

4. WHAT REMAINS FOR THE NEXT ROUND

Despite its significant achievements, the URAA would have to be considered only the first stage in reforming world agricultural markets. Agricultural tariffs still average over 40 percent, and high bound tariffs allow some countries to continue imposition of lower applied tariffs which may be adjusted in response to changes in market conditions. It is the unfortunate legacy of dirty tariffication in the Uruguay Round that current high bound tariffs may allow some countries to accept reductions in bound rates in the next WTO round without actually reducing protection or increasing trade. Further reductions in bound tariffs in the next round can significantly increase agricultural trade if applied tariffs also are reduced (Baldwin 1987). Another important issue in the next round will be the effectiveness of disciplines on the use of the special safeguard provisions to prevent circumvention of tariff cuts (Krishna and Mitra 2005).

Other issues relate to disparities among tariffs. Differences in tariffs among commodities or countries are referred to as "tariff dispersion". For example, tariffs for oilseeds generally are much lower than those for grains, and average tariffs for some countries are much higher than the average for other countries. Another important disparity is between tariffs for primary and processed products. Tariffs for processed products commonly increase, or escalate, above tariffs for primary products. Such "tariff escalation" can be a significant bias against trade in processed products. Studies have demonstrated that sectors with relatively low tariffs can still have high rates of protection on value added Products (Yeats 1987; Bernard, Aadiya and Phillip 2004; Rena 2006a).

4.1 Approaches to Negotiated Tariff Reductions

The experience of past GATT rounds in reducing industrial tariffs provides some options for approaching agricultural tariff negotiations. Most early industrial tariff reductions were achieved through bilateral negotiations in which countries made requests or offers to major trading partners. The results were multilateralized through the (MFN) principle. Request-and-offer negotiations do not systematically address the problems of tariff escalation or tariff dispersion among countries or commodities nor do they assure that very high tariffs will be reduced at all (Atuman and John 2004; Rena 2006a).

In order to achieve broader liberalization, the Kennedy Round (sixth round) began with participants agreeing to an overall linear tariff-cutting formula of 50 percent. Specific exceptions were then negotiated. This approach provided an initial major step forward, followed by minor steps backward. Agriculture was exempted from this across-the-board approach; however, one advantage of an across-the-board linear cut is that it results in automatic reciprocity. A large across-the-board linear cut in agricultural tariffs such as the 50-percent cut proposed during the Kennedy Round would significantly reduce agricultural tariffs. However, a linear cut might not reduce some mega tariffs enough to stimulate trade. A linear or constant percentage formula for tariff reductions also does not address the issues of tariff dispersion or tariff escalation (Panagariya 2000; Atuman and John 2004; Rena 2006a).

In the Tokyo Round, the across-the-board reduction approach, with some exceptions, was continued. However, considerable debate surrounded the formula to be used. Eventually, a compromise formula, the Swiss formula, was employed. By reducing higher tariffs by greater percentages, all disparities among tariffs were reduced. Larger reductions for higher tariffs also address the problem presented when very high bound rates allow lower applied tariffs, often involving reduced price transmission (Bhagwati, David and Panagriya 1998; Panagariya 2002).

4.2 Expanding Access Quotas

Lowering tariffs is not the only way to increase trade. For commodities subject to TRQs, expanding the quotas might have a more immediate impact on trade. As Josling points out, at some point increasing the quota would make the high above-quota bound tariffs irrelevant (Josling 1998). Of course, this would only be true in those cases where the TRQ was being administered so as to attract the guaranteed access quantity. In fact, the administration of TRQs has been among the most contentious issues resulting from the implementation of the URAA (Bhagwati, David and Panagariya 1998).

GATT article XIII provides two criteria for judging whether tariff quotas are being properly administered: 1) quota fill and 2) distribution of trade. TRQs should allow imports up to the quota amount if market conditions permit. If countries establish within-quota tariffs that are larger than the price gap between domestic and world prices that results after imposition of the TRQ, the quota is unlikely to be filled because trade is not profitable. Of course, if demand is not significant, quotas also will not fill. If a within-quota tariff is smaller than that price gap and the quota is not fully used, the TRQ may have been inappropriately administered. The distribution of trade criteria is related to the GATT principle of nondiscrimination, which asserts that trade shares should be determined by the relative efficiency of suppliers and not by alternative, discriminatory criteria. Some countries, however, have counted previously negotiated bilateral commitments against their TRQs, or have agreed to side deals negotiated outside of the MTN setting (Laird and Yeats 1987).

In spite of the problems associated with TRQs, they still, in principle, provide more market access than the NTBs they replaced, particularly when compared with absolute quotas. Under an absolute quota it is legally impossible to import more than the quota amount. Under a TRQ, imports can exceed the quota amount as long as the market is willing to incur the tariff applied on quantities in excess of the quota. Likewise, in spite of the problems associated with tariffication, tariffs are a transparent instrument of protection compared with NTBs, which tend to insulate markets and adversely affect the workings of the marketplace. The move towards a tariffs-only approach to agricultural trade should lead to more efficient and stable global markets (Bhagwati, David and Panagariya 1998).

5. RESULTS AND DISCUSSION

Since the Doha Round's 2001 launch, every deadline on issues from service sector liberalization to industrial tariffs has passed. In 2004 half of the original Doha agenda – adding new foreign investor rights and limits on countries' competition and procurement policies – was simply jettisoned after the Cancun WTO summit imploded. At issue throughout has been major differences regarding the WTO's proper objectives and direction (Merlinda and John 2004; Rena 2006a).

Indeed, the Doha Round was dubbed a "Development Round." However, the actual texts reveal an agenda aimed at expanding the scope of the existing WTO regime. Yet, after a decade of damaging results, many people in the 149 WTO signatory nations have made clear their opposition to more of the same. This was before the World Bank dramatically revised downward its projections of Doha Round gains and revealed that a long list of poor countries would be net losers under the likely outcome (Wu 2005). Given the record of the WTO decade, proponents of the Doha Round agenda sought to change the debate away from the WTO's performance and onto prospective future gains. While initial projections by the World Bank were $832 billion, more recent World Bank studies based on revised analysis found extremely limited possible gains from a "Doha Round" overall. The most likely Doha scenario the World Bank reviewed would yield benefits of only $54 billion to the world by 2015, with developing countries receiving a meager 16 per cent of those gains. These projections amount to a miniscule 0.14 percent of projected developing country GDP by that year, or about 0.23 percent of world GDP. Put another way, it is a little less than one cent per person per day to the developing world, or about four cents per person per day to the world as a whole (Atuman and John 2004; Rena 2006a).

Worse, the new research revealed that under the "likely" Doha scenario, the Middle East, Bangladesh, much of Africa and (notably) Mexico would actually face net losses. These studies also showed that the alleged gains that are projected to accrue to Brazil and India would be largely concentrated in those countries' agribusiness and manufacturing industries respectively, while subsistence farmers – a much, much larger percentage of those populations – would see tiny gains or net losses (Rena 2006b). There are several key problems with the studies, however, in that they project gains from agriculture and goods liberalization without taking into account many costs of Doha implementation. First of all, the economic models used in the studies "assume full employment." That means they capture alleged savings on consumer food prices as gains, but fail to show a loss if millions of subsistence farmers, who represent nearly half of the developing world, lose their livelihoods. In addition, they fail to include the increased costs that consumers worldwide pay for medicines due to pharmaceutical monopolies, which some economists estimate outweigh the projected gains, even for the few developing country "winners." And finally, the models fail to adequately take into account the loss in tariff revenue for developing countries, which the United Nations Conference on Trade and Development estimated would be 2 to 4 times the projected gains for developing countries from the Doha WTO expansion. These flaws have rarely been mentioned in media reports touting alleged "gains" for the poor (Atuman and John 2004; Bernard Aadia and Phillip 2004; Rena 2006a).

The World Bank findings are key to understanding the current political dynamic because many countries only reluctantly entered into WTO expansion talks at Doha in 2001 after being promised a "development" round aimed at rectifying imbalances left over from the original 'Uruguay Round" multilateral negotiations that hatched the WTO. Indeed, at the 2001 Doha WTO Ministerial, where the talks that have just collapsed were started, a group of 100 developing nations had tabled an

alternative agenda for negotiations, called the Implementation Agenda, which consisted of specific fixes needed to existing WTO terms. The Implementation Agenda was the developing countries' counter-initiative after they had rejected the "Millennium Round" WTO expansion agenda at the 1999 Seattle WTO summit. So while the media still refers, without attribution, to the negotiations as a mechanism to help the poor, in fact those pushing WTO expansion merely used the false promise of poverty reduction to get the talks launched, while pursuing policies geared to fatten corporate profit margins (Panagariya 2002; Atuman and John 2004; Bernard, Aadia and Phillip 2004). Meanwhile, the WTO's agriculture trade rules have been a disaster all around. According to the Food and Agriculture Organization, "progress has slowed significantly in Asia toward reducing hunger and stalled completely worldwide" (FAO 1995).

The livelihoods of billions of subsistence farmers have been pitted against the profits of corporate agribusiness and grain trading companies with success measured as greater volume of food moving around in trade, not in decreasing hunger. The Indian government has confirmed that at least 100,000 farmers who have lost their livelihoods to this scandalous system have committed suicide in the WTO decade (Rena 2006a).

The failure of trade negotiators, who met at Geneva in 2006, to narrow their differences on the modalities of compiling detailed cuts in tariffs and agricultural subsidies is no doubt a setback to multilateral trade negotiations. After missing the April 30, 2006 deadline, member countries were exhorted to negotiate with a "heightened sense of urgency." But as the rather abrupt termination of the talks showed, differences have remained, and even widened in certain cases. The draft texts on modalities for agriculture and industrial products circulated ahead of the Geneva meet merely reiterated the differences. Among the major impediments to a possible deal has been the reluctance of the United States and the EU to climb down from their fixed positions on farm subsidies and non-agricultural tariffs.

The developing countries did achieve some success at Hong Kong, although not enough. While the likely economic gains from a freer, more orderly global trade are well known, the consequences of a failure can be catastrophic. All countries will hasten the process of entering into preferential agreements, especially bilateral ones. Recent experience of India and other countries suggests that this is only a second best arrangement and could make any future multilateral agreement difficult to achieve. Most important perhaps, a failure will undermine the WTO's highly successful dispute resolution mechanism, which has brought the rule of law to world trade (Rena 2006a).

It is to be understood that the developed countries have low tariffs on industrial and service imports and high tariffs (or other forms of protection) on agricultural imports. Developing countries have substantial tariffs on industrial and service imports and on some agricultural imports. In the Doha round, developed countries are saying to developing, ones: "You must make cuts in industrial, service and agricultural tariffs, and then we will make cuts in our agricultural tariffs and other agricultural supports. This will give you better market access for your agricultural exports, in line with your comparative advantage; and we will get better market access for our industrial, service and agricultural exports."

The developed countries are insistent that developing countries make big cuts in protection on non-agricultural imports, so much so as to yield the acronym NAMA (non-agricultural market access). The developed countries are making a big push to get developing countries to accept NAMA proposals.

Most developing countries face serious dangers of de-industrialisation if they accept the basic terms of this negotiation. They risk becoming more specialised than at present in the production of primary commodities and simple, labour-intensive products, and even less diversified in the production of more complex, rich country goods.

The World Trade Report 2006 has as its principal focus government subsidies, which may have specific goals of correcting market distortions and meeting social objectives but can also distort trade. The report estimates that 21 developed countries accounted for almost $250 billion of the $300 billion spent on subsidies in 2005 globally. Even as a proportion of GDP, developing countries spent far less on subsidies. However, it is admitted that the incidence and impact of subsidies remain a seriously under-researched subject. Many governments cite several objectives to justify their extensive subsidies. Besides, few governments comply with the stipulation that trade distorting support measures should be notified to the WTO (Rena 2006a).

Another pillar of the WTO model is the massive expansion of corporate patent monopolies. The WTO's Trade Related Aspects of Intellectual Property Rights agreement (TRIPS), which sets 20-year worldwide monopoly marketing rights on drugs and seed varieties, is the single greatest protectionism agreement in the world. Forcing governments worldwide to provide monopoly protection for every seed variety or medicine that Big Pharma and Agribusiness patent has meant vastly increasing prices for consumers in rich and poor countries alike – and many cut off of these life sustaining goods. Instead of having to adhere to new restrictions on trade that protect corporate profits, countries must be free to prioritize other values and goals, particularly regarding the saving of millions of lives by getting access to low-cost life-saving drugs. For example, African nations facing the HIV-AIDS epidemic must be free to decide that access to essential medicines takes priority over U.S pharmaceutical profits, even if those corporations are one of the largest lobbies on trade in the United States(Merlinda and John 2004; Wu 2005; Rena 2006b).

6. CONCLUSION

The greatest success of the URAA in the area of market access was in rewriting the rules governing agricultural trade rather than in achieving large reductions in protection The tariffication of all non-tariff barriers was a truly significant achievement; however, it was carried out in a manner that allowed some member countries to minimize reductions in (or even increase) import protection for their agricultural sectors.

The tariff bindings and reductions agreed to by some countries did not reduce protection or facilitate increased trade for politically sensitive commodities. As a result, protection of agricultural markets from imports remains high on average. Moreover, this protection remains highly variable, with much higher tariffs on some commodities and with higher average tariffs in some countries. For most industrial countries, even after reductions, the ad valorem measure of final bound tariffs in agriculture will remain higher than the average rate of protection for agriculture in 1982-93 (Merlinda 1995). While bound tariffs tend to overstate levels of protection because many countries apply tariffs that are well below bound rates, it is bound tariffs that have been negotiated in the past and most likely will be negotiated during the next WTO round (Bernard, Aadia and Phillip 2004).

Having undergone the processes of tariffication, binding new and existing tariffs, and successfully negotiating modest initial goals to reduce these tariffs, the agricultural sector is now well positioned for further trade liberalization. The next round will have to further reduce tariffs, particularly the megatariffs, to secure important additional gains from trade. Fortunately, the experience of past

rounds offers some ideas about how this can be done. For commodities subjected to TRQs, an option, or perhaps a complement, to reducing tariffs is to expand quotas. At the same time, however, the upcoming negotiations will have to examine whether some TRQ administration methods are inherently likely to result in under-filling of quotas or in a discriminatory distribution of trade and, if so, whether disciplines should be established.

The developing countries did achieve some success at Hong Kong. The Doha Round was dubbed a "Development Round." However, there was an agenda of expanding the scope of the existing WTO regime. Yet, after a decade of damaging results, many people in the 149 WTO signatory nations have made clear their opposition to more of the same. The failure of trade negotiators, who met at Geneva to narrow their differences on the modalities of compiling detailed cuts in tariffs and agricultural subsidies, is no doubt a setback to multilateral trade negotiations.

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