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**AGRICULTURAL TRADE POLICIES AND THE
COMMITMENTS OF VIETNAM TO WTO
IN AGRICULTURAL SECTOR**

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OBJECTIVES AND METHODOLOGY

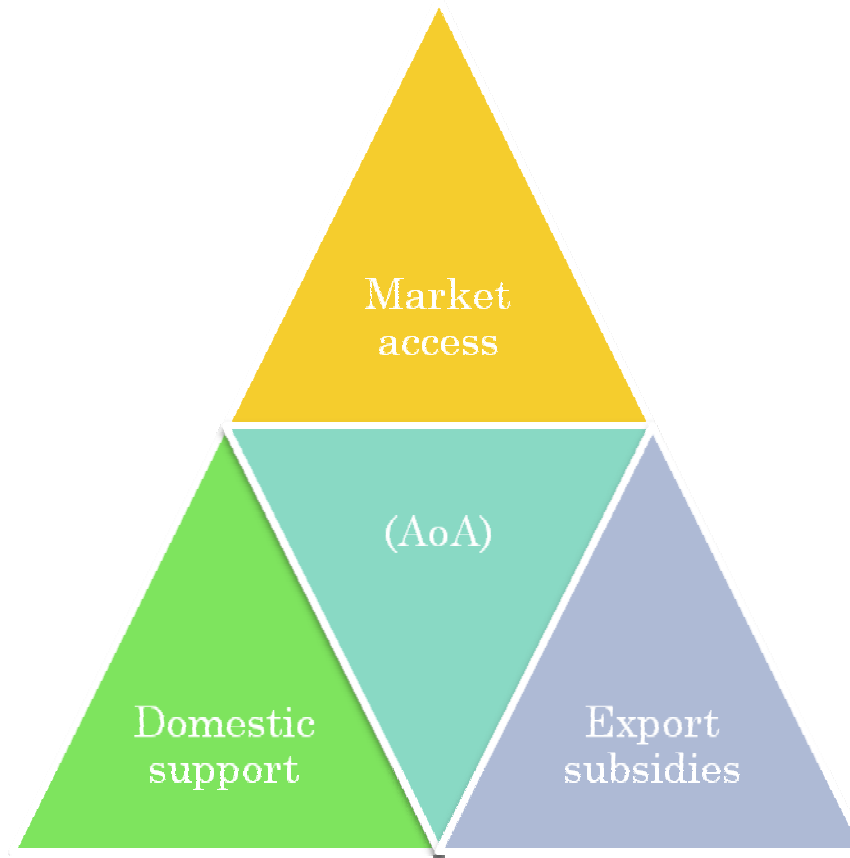
○ Objectives

- Definition of WTO's commitments that Vietnam have to implement relating to agriculture sectors
- Evaluation of implementation of Vietnam's commitments in line with WTO's commitments
- Recommendations of solution to implement commitments in Agricultural sector.

○ Methodology

- Mainly concentrated on AoA's commitment, the research result analyzed mainly bases on secondary data and field experiences
- Review previous research related to WTO integration in Vietnam.

AGREEMENT ON AGRICULTURE



MARKET ACCESS-TARIFF REGULATIONS

○ **Levels of binding tariff rates (ISG, 2001)**

- Binding tariff rates will be lower than applied rates, showing Member's will to reduce tariff rates, and specific commitment on the reduction schedule,
- Binding tariff rates have remained at the applied rates (the existing rates),
- Binding tariff rates will be higher than applied rates,

○ **Other commitment relating to tax policy**

- Most Favored Nation clause (MFN) requires that tariffs and other regulations should be applied without any discrimination between member-countries.
- National Treatment (NT) bans countries from discriminating between imported products and domestic ones, in the context of the levies, fees, internal taxes or in application of any internal regulation.

NON-TARIFF REGULATIONS

- For agricultural commodities, apart from complying with the mentioned above regulations, there are some additionally ones, including:
 - Commitment of 100 percent of agricultural product tariff lines
 - Tariffication of non-tariff barriers and commitment of the binding ceiling tariff levels. Tariff is considered the only measure to protect domestic industry.
- Three exemptions to protect domestic industry, however, are existing:
 - Measures are carried out under provisions regarding balance of payment.
 - Measures are undertaken in accordance with the general provisions in GATT 1994 (for example safeguard measures, general exemptions, Article XX, GATT 1994).
 - Countries are able not to apply tariffication of some goods and offer a special minimum market access opportunities for certain volume of imported goods

ACCESS OPPORTUNITIES

- **Current access opportunities:** they are granted to the volume of imported commodities, which is equal to an average of imported volume of base period (1986-1988).
- **Minimum access opportunities:** In 1995, they are required to be no less than 3 percent of the base period (1986-1988) domestic consumption of the designated products. Then they are increased to 5 percent in the end of 2000 for developed countries and till the end of 2004 for developing countries.
- **Special minimum access opportunities** (applied to products which are not subject of tariffication):
 - For developed countries, they are 4 percent of the domestic average consumption of the designated products during the base period 1986-1988, thereafter, are increased by 0.8 percent of the corresponding domestic consumption in the base period per year for the remainder of the implementation period until the end of the year 2000.
 - For developing countries, they are 1 percent of the annually domestic consumption, 2 percent in 1999 and 4 percent in 2004 respectively.

DOMESTIC SUPPORT-**AMBER BOX**

This support shall be reduced. It is quantified in total Aggregate Measurement of Support (AMS).

Current total AMS = product- specific domestic support + non- product specific domestic support + equivalent domestic support

Countries	Implementation period	Rate of reduction
Developed	1995-2000	Reduction of 20% in “amber” domestic support measures expressed in the form of AMS
Developing	1995 - 2004	Reduction of 13,3% in “amber” domestic support measures expressed in the form of AMS

De-minimis percentage : Agreement on Agriculture provides a “de minimis” level of 5 % of production value of the product for developed countries or 10 % for developing countries. If product- specific AMS represents less than the “de minimis” percentage, it can be exempted from the commitment of reduction.

GREEN BOX

- Policies under Green Box is considered not/less distorted trade and could be applied freely, i.e. exempt from the reduction commitment. The WTO AoA has listed support policies which allow WTO members to apply as follows:
 - Group 1: General Services
 - Group 2: Public Stockholding for Food Security Purposes
 - Group 3: Domestic Food Aids
 - Group 4: Payments for Relief from Natural Disaster
 - Group 5: Structural Adjustment Assistance
 - Group 6: Environmental Programmes
 - Group 7: Regional Assistance Programmes
 - Group 8: Structural Adjustment Assistance Provided Through Producer Retirement Programme
 - Group 9: Government Financial Participation in Income Insurance and Income Safety-net programme

BLUE BOX

- **Special and differential treatment for developing countries**
 - Assistance provided through investment aids by Government
 - Input subsidy generally is available to low-income or resource-poor producers
 - Support to encourage diversification from growing illicit narcotic crops
- **Direct payments under production-limiting programmes (mainly for developed countries) if:**
 - Such payments are based on fixed area and yield; or
 - Such payments are made on 85% or less of the base level of production; or
 - Livestock payments are made on a fixed number of heads

EXPORT SUBSIDY

- The reduction shall be applied for both State expenditure on export subsidy and subsidized export volume, member countries shall reduce following export subsidy:
 - Direct subsidies provided by Governments or their agencies relate to the result of export performance;
 - Subsidies on agricultural products contingent on their incorporation in exported products;
 - The sale or disposal for export by Government or their agencies of non-commercial stocks of agricultural products at a price lower than the comparable price charged for the like product to buyers in the domestic market;
 - Payments on the export of an agricultural product that are financed by virtue of Governmental action;
 - The provision of subsidies to reduce the costs of marketing export of agricultural products, including handling, upgrading and other processing costs, and the costs of international transport and freight;
 - Internal transport and freight charges on export shipments, provided or mandated by Governments, on terms more favorable than for domestic shipments;
- Countries, which are in the negotiation process to entry WTO, usually have to commit on a higher and more strict level in comparison with that of existing WTO members for the cause of preferential conditions they shall offer new members.

THE COMMITMENTS OF VIETNAM TO WTO IN AGRICULTURAL SECTOR MARKET ACCESS

- Viet Nam would apply border protection for agricultural products in a manner consistent with WTO Agreements (in particular with Article 4 of the AoA).

Simple average of agricultural tariff as current level and commitment to WTO

Simple average	Currently applied MFN tariff levels	Tariff bound at entry into the WTO (%)	Tariff bound after implementation period (%)	Reduction level in comparison with current applied MFN (%)
	(%)			
Agricultural products	23.5	25.2	21.0	10.6 (out – quota tariff rates)
				20.0% (in – quota tariff rates)

DOMESTIC SUPPORT – AMBER BOX

- With regard to the “Amber box”, the total aggregate measurement of support (Total AMS) of Vietnam is well below the 10% *de minimis* threshold.
- On average during 1999-2001, total value of AMS was around 3.4% of total agricultural production value.
- Amber box support (including *de minimis* levels) showed a decreasing trend from 30% of total domestic support in 1999 to just 17% in 2001.
- If *de minimis* levels are set to 0, the current aggregate measurement of support (Current AMS) in 1999 is estimated at 22.4% of total domestic support and 10.3% only in 2001.

GREEN BOX

- Scientific research: agricultural research, training and extension services are important items for sustainable development of agricultural sector.
 - Under the management of MARD, there are 21 scientific research institutes
 - The Government spent around VND 300 billion per year on running agricultural research system during the period 1999-2001
 - Spending for capital construction allocated to scientific research offices under MARD during five years 2001-2005 was up considerably with total amount of VND 342 billion (i.e. annual growth of 7.6%).
- Agricultural extension: The national network of extension and advisory services has been in place since 1993 and its current coverage is nationwide from the central to provincial and district levels.
 - Total supports of Green Box measures reaching 9% on average during the period 1999-2001
 - During the 2001-2004 period, the state expenditure focused on programmes of “high-quality paddy”, “cross-bred variety of F1 paddy”, mulberry, pig and poultry breeding etc. Total expenditure for these programmes was VND 241,597.9 million

BLUE BOX

- Investment aids from the government
 - The preferential interest rate is 0.81% per month (i.e. 9.72% per year).
 - The prevailing commercial interest rate applicable to investment projects to establish and develop processing premises for agricultural and forestry products and projects of growing perennial plants which was previously at 1.25% per month has been cut down to 1.15% per month.
 - The monetary value of this investment support amounted to VND 850 billion on average over 1999-2001 as compared with VND 183 billion over 1996-1998.
- Input subsidy to producers with low income
 - Input subsidies constitute the largest component of the Development Box, accounting for about 57% of the average total supports from the Box in 1999-2001.
 - During the period of 1996-1998, the annual support from the State budget for measures under the Development programmes was VND 333.3 billion.

EXPORT SUBSIDY

- Before 1998, the Vietnamese government did not award any export subsidies to agricultural products.
- During 1999-2001 period, the largest component of export subsidies are provided to *rice* export enterprises at the rate of VND 180 per US\$ 1 of export value (equivalent to 1.2% of the exported value).
- The second largest export subsidy component was interest rate support to assist export enterprises to purchase *coffee* at the rate of VND 220 per US\$ 1 of export value (equivalent to 1.46%).
- In 1999 and 2000, export of *canned pineapple and canned cucumbers to Russian and USA* markets received budgetary support. The form of "export bonus" at the rate of VND 400-500 per US\$ 1 of export value (equivalent to 2.6 - 3.3 %).
- In 1999-2000, the Government provided financial support to assist enterprises to cover losses arising from exportation of *pork to Russia and Hong Kong* when these markets were in crises (from 1997 to 1998).

DISCUSSIONS AND RECOMENDATIONS

- Market access
 - Applying both tariff and policies in combination with other non tariff measures such as technical and SPS measures, safeguard and special safeguard,...
 - Establishing protection levels (low, average, and high) to different commodities.
- Domestic support
 - As of Domestic Support issues, current level of AMS (“amber box” subsidies) are by far lower than commitments and limiting factor of subsidisation is likely to be available budget funds rather than WTO disciplines.
 - “Green Box” and “Development Box” support is not limited by the WTO and can be applied freely.
- Export subsidy
 - Export promotion programmes could also be enhanced through facilitated access to credit.
 - Transfer Export supporting Fund into Commodity Development Fund for key commodities

RECOMMENDATIONS ON NEW “GREEN BOX” POLICIES AND DEVELOPMENT MEASURES

- **Agricultural science and education** (expenditures for scientific and educational institutions, research and improvement of professional skills).
- **Information** and Extension services
- **Marketing supports and Export supports**
- **Quality issues**
- Animal disease and pest control
- Investments in rural infrastructures
- Support for regions with less favorable climatic, ecological and economic conditions
- Specific structural adjustment programmes
- **Land issues**