

Agriculture in the DDR & South Asian Positions

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- Sri Lankan position
- Are we really trying to take advantage of DD Round – even if it goes through

Sri Lankan Position (D-Support)

- **Green Box Include** (*no AMS, Amber Box*):
 - **Research and extension services for almost all agric. products**
 - **Plant quarantine services**
 - **Seed certification services**
 - **General services for livestock development – vet services, AI etc.**

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Sri Lankan Current Position (DS)

- **Green Box:**
 - **Income insurance for agricultural activities as relief from natural disasters**
 - **Income safety net programmes**
 - Samurdhi
 - Old aged farmer pension programmes
 - **SDT – Development Programmes (exempted from reduction commitments)**
 - Investment subsidies for general agriculture
 - Investment subsidies for perennial crops
 - Fertilizer subsidy
 - Irrigation subsidies

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Market Access -Tariff Structure – Agric. Sector

Applied Tariff Rates	No. Tariff Lines in Agric. Chapters	% lines	Cumulative %
3%	65	8%	8%
6%	28	3%	11%
15%	198	23%	34%
28%	543	63%	97%
Total Lines	861	100%	

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What we have – Export Competition

- **Concession / exemptions on income tax (non-BOI)**
 - Fruit & vegetable processors
 - Producers in export production village companies
 - Non-traditional agricultural exports
- **Duty concessions for exports:**
 - If some products are not treated with above, a duty rebate & other levies
- **BOI concessions**
- ***Nothing needs disciplining***

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**What we have to consider in negotiations –
*defensive interest***

- Special Products
- SSM (*volume / value triggers are an issue*)
- Tariff cut formula: the structure of the tiered approach
 - *The number of bands,*
 - *The thresholds,*
 - *The formulae to use within the bands,*
 - *Related flexibilities provided for in the July framework*

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**Proposed Negotiating Position – Tariff Cut Formula
*Scenario 1 & 2***

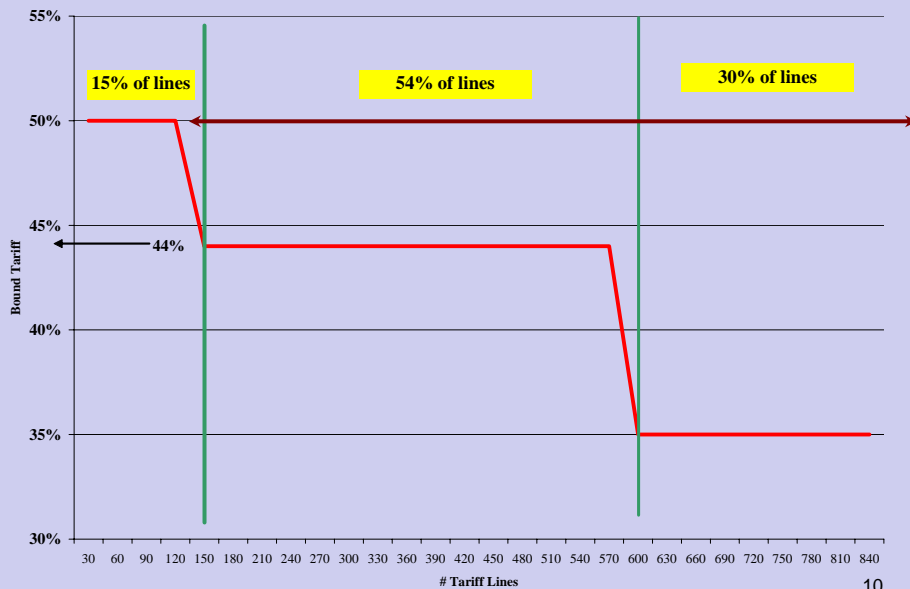
- **We propose a liner cut for each line with an overall average of 15% cut (*1st band in HK proposal*) - following structure**
 1. 0% cut for Special Products {5% in 2nd}
 2. 12% cut for tariff lines with 28% current applied tariff {10% in 2nd}
 3. 30% cut for tariff lines with *less than 28% applied tariff* {same in 2nd}
- **This is assuming that minimum cut is 0% {5%} for us & this gives average cut of 15%**

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Result of that Proposal – Bound at: 50%; 44%; 35%

Chapters	Cut rates Description	0%	12%	30%	Total Lines	Average Cut	% of SP
		SP Products	Products with tariff 28%	Products with tariff <28%			
Chapter 1	Live animals	0	27	11	38	17%	0%
Chapter 2	Meat & edible meat Offal	4	55	0	59	11%	7%
Chapter 4	Dairy, edible animal produce	9	17	4	30	11%	30%
Chapter 5	Animal Products	0	0	25	25	30%	0%
Chapter 6	Live trees, bulbs etc	0	9	9	18	21%	0%
Chapter 7	Vegetables, tubers	39	35	7	81	8%	48%
Chapter 8	Fruits & nuts, citrus fruits	29	53	2	84	8%	35%
Chapter 9	Coffee, tea, spices	0	58	6	64	14%	0%
Chapter 10	Cereals	10	2	6	18	11%	56%
Chapter 11	Milled products, malts etc.	9	17	7	33	13%	27%
Chapter 12	Oil seeds & grains	4	18	23	45	20%	9%
Chapter 13	Lac, gums, resins	0	0	14	14	30%	0%
Chapter 14	Vegetables planting mat.	0	4	11	15	25%	0%
Chapter 15	Fat & oils (animal/veg)	9	32	18	59	16%	15%
Chapter 16	Meat preparations, fish	0	17	10	27	19%	0%
Chapter 17	Sugar & confectionery	0	14	8	22	19%	0%
Chapter 18	Cocoa & its preparations	5	7	0	12	7%	42%
Chapter 19	Cereal preparations	0	17	4	21	15%	0%
Chapter 20	Veg, fruits & nut prepara.	8	51	0	59	10%	14%
Chapter 21	Misce. Edible prepara.	0	18	10	28	18%	0%
Chapter 23	Residues for food industry	0	1	31	32	29%	0%
Chapter 33	Essential Oils	0	1	27	28	29%	0%
Chapter 35	Albuminoidal substances	0	0	11	11	30%	0%
Chapter 41	Hides & skins	0	0	10	10	30%	0%
Total		126	453	254	833	15.7%	15%
%		15%	54%	30%	100%		

New Bound Tariff Structure



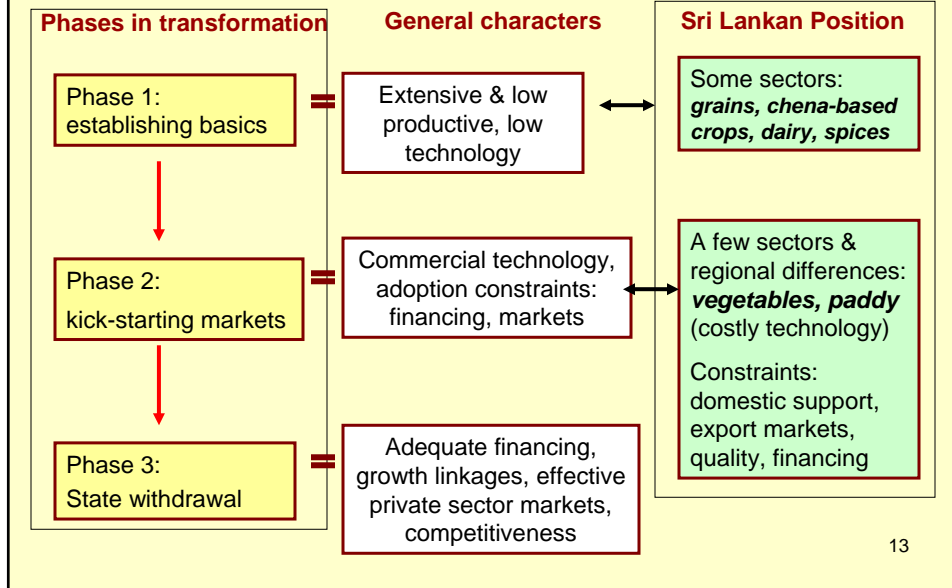
Development Round - Doha

- The most intractable issue before us:
 - Doha round has included development dimension (*livelihood, food security & rural development*)
 - How best we could take the advantage of these development dimensions in international trade in agriculture

Share of the agriculture sector (%) in the provincial GDP

Province	1998	2002	2007	% Change (1998-2007)
Western	5	4	2	-60.0
Southern	37	39	17	-54.1
North Central	39	44	27	-30.8
North Western	37	29	20	-45.9
Central	32	36	21	-34.4
Sabaragamuwa	25	30	21	-16.0
Uva	50	46	32	-36.0
Sri Lanka	21	21	12	-42.9

Phases of Agric, Modernization and Growth *(adapted from Dorward et al in ICTSD, 2005)*



Bringing about a balance in trade policies

- **What is this balance:**
 - **Negatives of protection – S-S trade; food security**
 - **Collateral policies as “behind-the-border” measures**
 - *state investment,*
 - *capacity building,*
 - *institutional reform etc.;*
 - **Protecting vulnerable sectors of the economy**
 - **Making the liberalization process politically acceptable and sustainable**

Total Assistance and Agricultural Income (Rs mn: 2008) (DS)

[source: CB, 2008, Table 93 & Table 1]

Expenditure on the Rural Sector	Actual Rs mn
Agriculture development	33,022
Livestock	333
Irrigation & water management	1,263
Plantation Industries (Investment cost – mainly cess transfer) <i>- de minimis</i>	1,556
Environment & natural resources	1,369
Land management	1737
Total	39,280
% from total GOSL expenditure	5%
Agriculture	522,064
Agriculture - processing	32,261
Total earning	554,325
% of expenditure for <i>de minimis</i>	7%
Total GDP	4,410,567
Agric % of the GDP	13%

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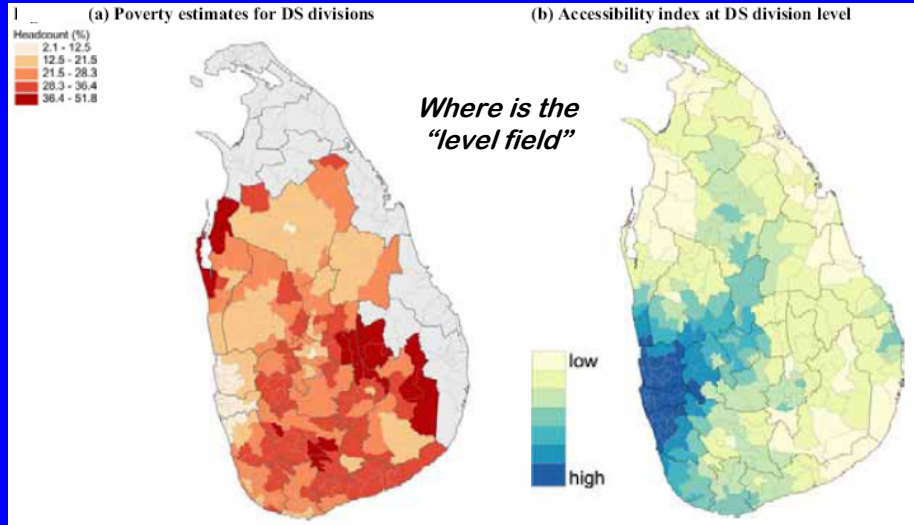
Average yield (kg/ha) of selected SP

SP Commodities	Sri Lanka	High end	Low end
Rice	3,394	6,170 – China	2,676-Thai
Maize	1,103	4,964 - China	1,874-India
Ground nut	585	2,904 - China	975 – India
Soybean	1,049	1,781 - China	865 – India
Potatoes	16,543	18,555- India	12,054 – Thai
Eggplant	6,882	18,631 - China	5,826 – Thai
Cabbage	13,889	21,330 - India	11,011- Thai
Chilies	2,888	19,160 - China	3,808- Indonesia
Tomatoes	7,593	26,121 - China	9,964 – Pakistan
Coconut	4,271	10,099 - China	4,000 - Pakistan

- Sri Lanka needs flexibility as we are less competitive in most SP
- Some products have the lowest productivity – low competitiveness
- All SP have productivity closer to the lower end

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Poverty and accessibility (low accessibility & high poverty):
World Bank (2007), Sri Lanka, Poverty Assessment



Thank You