

## 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<br>Tariff Rates | No. Tariff Lines<br>in Agric.<br>Chapters | % lines    | Cumulative<br>% |
|-------------------------|---|------------|-----------------|
| 3%                      | 65  | 8%         | <b>8%</b>       |
| 6%                      | 28  | 3%         | <b>11%</b>      |
| 15%                     | 198                                       | 23%        | <b>34%</b>      |
| <b>28%</b>              | <b>543</b>                                | <b>63%</b> | <b>97%</b>      |
| 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***

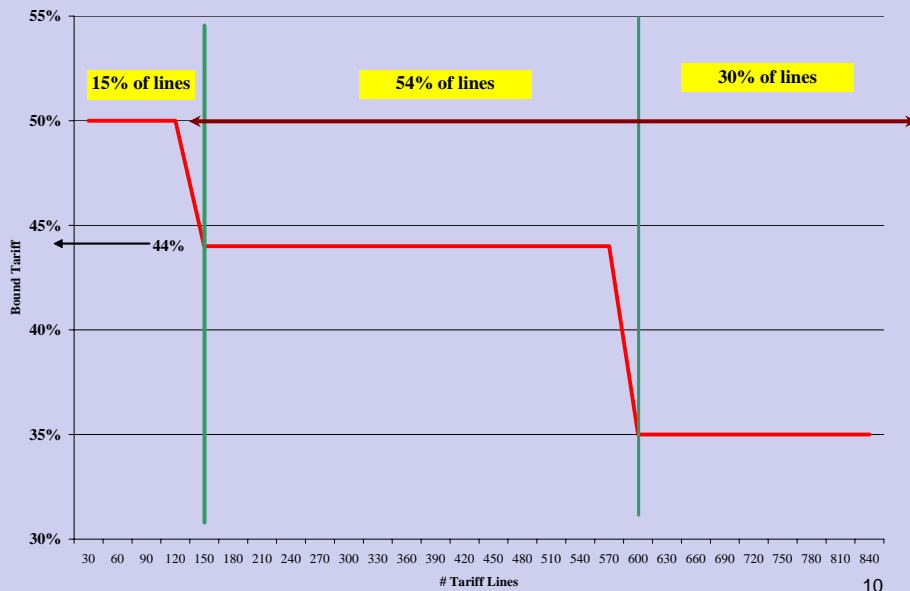
- **We propose a liner cut for each line with an overall average of 15% cut (*1<sup>st</sup> band in HK proposal*) - following structure**
  1. 0% cut for Special Products {5% in 2<sup>nd</sup>}
  2. 12% cut for tariff lines with 28% current applied tariff {10% in 2<sup>nd</sup>}
  3. 30% cut for tariff lines with *less than 28% applied tariff* {same in 2<sup>nd</sup>}
- **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<br>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         | <b>15.7%</b> | 15%     |
| %          |                              | 15%         | 54%                      | 30%                       | 100%        |              |         |

## New Bound Tariff Structure



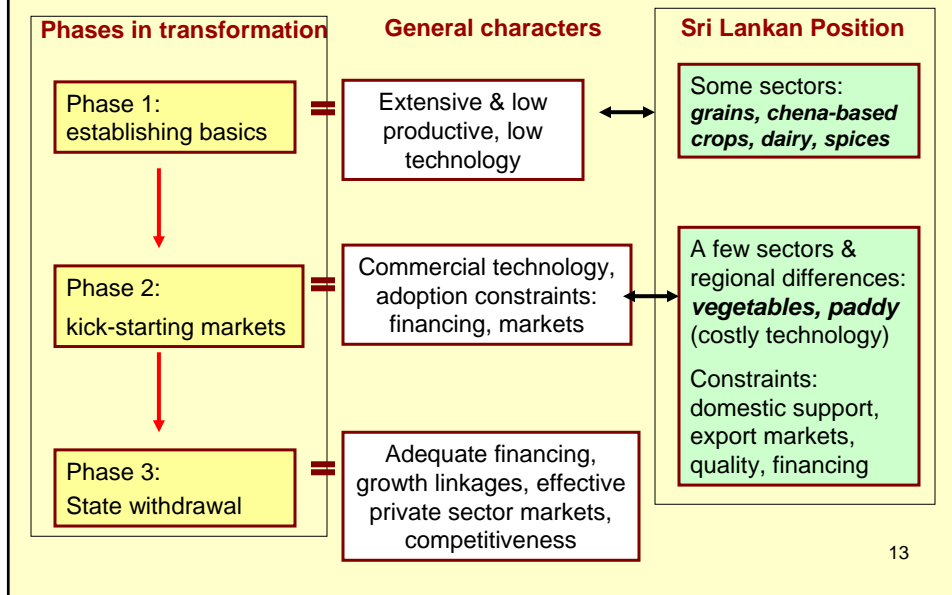
## Development Round - Doha

- 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   | <b>32</b> | -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<br>cess transfer) <i>de minimis</i> | 1,556         |
| Environment & natural resources   | 1,369         |
| Land management   | 1737          |
| <b>Total</b>  | <b>39,280</b> |
| % 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

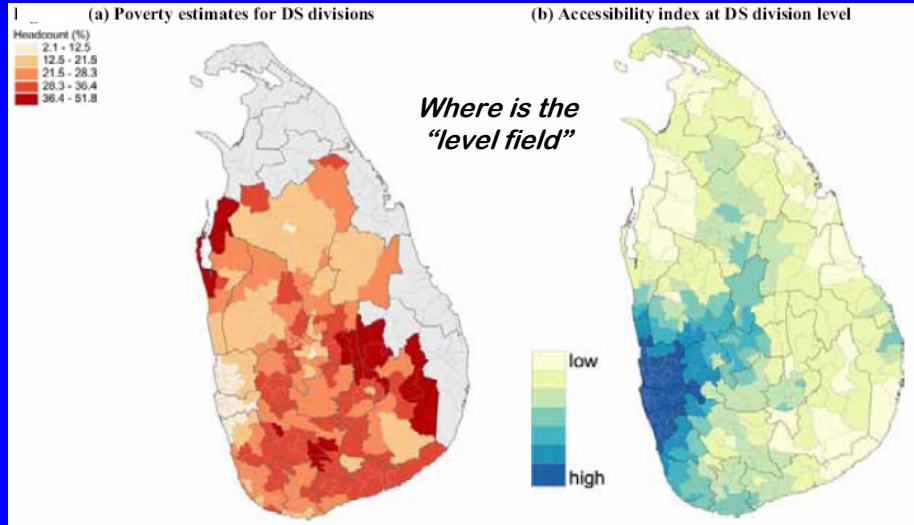
| SP Commodities | Sri Lanka | High end       | Low end          |
|----------------|-----------|----------------|------------------|
| Rice           | 3,394     | 6,170 – China  | 2,676-Thai       |
| Maize          | 1,103     | 4,964 - China  | 1,874-India      |
| Ground nut     | 585       | 2,904 - 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