Chapter No.7

Quantitative Restrictions
On
Agriculture in Maharashtra

Chapter No. 7

Quantitative Restrictions on Agricultural in Maharashtra

7.1) Introduction:

7.2) Market Access:

7.3) Market Access and India:

7.4) Tariff Escalation and peaks:

7.5) Tariff Rate Quotas:

7.6) Tariffs and bound rates on major agricultural commodities:

7.7) Share of output Tariff Quotas:

7.8) Tariff Reduction:

7.9) Removal of Reductions:

7.1) Introduction:

World Trade Organization (WTO) member shall not maintain resort to or revert to any measures of the kind which have been required to be converted into ordinary customs duties the Urugve Round Agreement on Agriculture (URAA) left World Trade Organization (WTO) member considerable discretion over now to effect this conversion. Guidelines or modalities for establishing tariff and tariff rate quotas were drafted but never formally adopted. Various economic studies show that several World Trade Organization (WTO) members engaged in 'dirty tariffication' that is at the time of the negotiation they establish higher tariff on sensitive agricultural products than the suggested method would have allowed. There are also guidelines for calculating minimum access volumes that is now to determine the 3 percent of base period 1986-1988 domestic consumption. If the General Agreement Trade and Tariff (GATT) 1994 non discriminatory administration of quantitative restriction governs the administration of quantitative restriction including (TRQ) can be interpreted as being inherently contradictory. It advocates nodes crimination and the use of tariff rather than quantitative restrictions yet it also allows supplier tariff quotas to be allocated on a historical basis a method that is inherently discriminatory. The World Trade Organization (WTO) establishes in 1995 administers trade agreement negotiated by its member.

7.2) Market Access:

Before the Uruguay Round, trade liberalization negotiations covered border protection for all goods, except agricultural product for which there were often no bound tariffs or for which tariffs were supplemented by no tariff measures such as quantitative restrictions (quotas, import bans. Embargoes, the monopoly purchase power of state owned entities). Some countries used the simple border protection method of tariffs and other method used more complicated, the European Union (EU) variable levy system. This system maintained a stable price within the European Union (EU) by using same post customs duty price for all imports. The lower border prices of the product, higher the tariff resulting in the stable consumer price. The stable price objective, other countries restriction and import volume, allowing imports when the domestic price increased and banning imports when it fell. This approaches stable price writhen the importing country but use a high level and have been blamed for amplifying international price is fluctuation. This price rose and import were allowed, meant that international demand increased, driving up the international price. This price fall import were restricted reducing demand on the international market and pushing international prices down.

The intention of aligning agriculture trade rules with those applying to trade in other goods negotiators agreed to trade that all barriers to imports other than those in place for health and safety reasons should be subject to tariff only permitted form of domestic protection. All forms of import restrictions had to be converted into tariffs with a process defined as tariffication with the method differing as according to country status (that is developed or developing country). The country committed not to raise tariffs above a specific level for all products covered by the agreement. The imports were subject to special agreement such as trade agreement or beneficiaries of preferetional schemes.

In general tariffication involved converting NTM is tariffs using the price gap, method that is the difference between domestic and world market prices. This if the world price for a product was US $ 150 per ton and the price inside the country was US $ 200 per ton, than the tariff of US $50 per ton could be the result from tariffication.

Table No.7.1

Reduction of all tariffs

Countries	Period	Reduction (%)
Developed Countries	6 Years	36 percent
Developing Countries	10 Years	24 percent
Less Developed Countries	-	-
Those with BP Problem	-	-

Source: OCED Agriculture Market Access Database

After establishing the tariff equivalent of an import restriction, reductions were required developed countries by an average of 36 percent and a minimum of 15 percent over six years and developing countries by an average of 24 percent and a minimum of 10 percent over 10 years. These were simple average and were not weighted for the volume of trade. If even more serious problem was that the reduction commitments were based on average cuts rather than cuts in the average tariff. That is if a tariff of 1 percent was cut to one half percent this counted as a so percent reduction. This country could achieve the target cuts by reducing already low tariffs and it of making only the minimum reduction in sensitive products with high tariffs.

The necessary calculation for all the different tariff lines countries drew up their schedules of commitment for agriculture product showing the rates and reduction commitment. Developing countries were not required to undertake tariffication in the someway to convert NTB in to tariffs giving the some protection as estimated by taking the difference between domestic and border price. Instead they could opt to bind tariffs at arbitrary levels or through a combination of tariffication for some product and bindings on others.

If tariff only situation improves result in better market access. For this reason countries agreed that to preserve exiting market access and to create greatly access, current access opportunities had to be maintained. That is value based tariffs may be the simplest to establish and implement some countries have relatively complicated tariff structures using fixed charges or a combination of fixed and ad values tariffs.

7.3) Market Access and India:

In case of India who had not tariffs was allowed to have ceiling binding. India had bound its tariffs at 100 percent for primary products, 150 percent for processed product and 300 percent for edible oils, except for certain items (comprising about 119 tariffs lines) which were historically bound at a lower level in the earlier negotiations. Out of these low bound tariff lines bindings on 15 tariffs lines which included skimmed milk power, spelt wheat, corn, paddy, rice, maize, millet, sorghum, colza and mustard oil, fresh graps etc. were successfully negotiated in December 1999 and the binding levels were suitably revised upward to provide adequate protection to the domestic producers. Finally, India phased out the quantitative restrictions in March 2001.

Further the EXIM Policy 2002-2007 had much to say for agriculture especially for the exports. With the sluggish growth in exports and rising import liberalization of agricultural export was an inevitable outcome. Export restrictions like registration and packing requirement were removed on butter, pulses, wheat and wheat products groundnut oil cashew and coarse grains. Restrictions on export of all cultivated verities of seed, except jute and onion were also removed. The creation of agricultural export zones which was initiated earlier was modulated and 20 agriculture many exportable items.

If it is well recognized that much of the developed world most notably countries of the European Union and east Asia, are resisting to provide access to agricultural exports of the developing world. They have not gone for full tariffication of agricultural products. Instead they have opted for Tariff Rate Quota (TRQ) system for several commodities which is restricting the potential gain to the developing world. It is well know that several developed countries including Japan, the United States and the European Union have in place a system of tariff quotas.

7.4) Tariff Escalation and peaks:

Uruguay Round Agreement on Agriculture (URAA) agricultural tariff remain high compared to those on industrial products with tariff peaks defined rates exceeding 15 percent or three times the average nominal tariff and escalation defined as much higher tariff on processed products compare to unprocessed commodities. For example the European Union applied tariff is 18 percent for fresh grapes but 215 percent for grape juice.

7.5) Tariffs and bound rates on major agricultural commodities:

Tariffication did not necessarily result in liberalization or greater market access although it did make the level of protection more transparent by establishing tariff market access opportunities permitted limited imports at relatively low tariff rates the rich country is high customs duty and India and developing country is low tariff / custom duty. This table has shown the tariffs and bound rates on major agricultural commodity

Table No.7.2

Tariffs and bound rates on major agriculture commodities /groups

Item description	Bound duty (%) (As on 01. 08. 2007)	Basic Customs duty (%) (As on 01. 04. 2008
1	2	3
I. Cereals and Pulses		
1. Pulses other than peas	100	Free
2. Wheat	100	Free
3. Maize	70	Free
4. other cereals	100	Free
II. Cereals Products		
1. Atta	150	Free
2. Sooji	150	30
3. Wheat and potato starch	35	30
4. Flour, meal and powder of dried leguminous vegetables including sago	150	30
5. Other starches	100	30
III. Dairy Products		
1. Fresh milk and cream	100	30
2. Butter and melted butter	40	40
3. Cheese	40	30
4. Milk powder	60	60
IV. Plantation Crops		
1. Tea	150	100
2. Coffee	100	100
3. Coconut	100	70
4. Other spices	150	30

Continue to Page 117

Continued From Page 116

1	2	3
V. Meat & Poultry		
1. Chicken sausages	150	100
2. Meat of poultry	100	30
3. Chicken leg	150	100
4. Other meat and offal	100	30
VI. Sugar	150	60
VII. Horticulture		
1. Garlic	100	100
2. Onions	100	5
3. Mushrooms	100	30
4. Potato	150	30
5. Sweet potato	150	30
6. Other edible roots and tubers with high starch or insulin content fresh or chilled 100	30	
7. All other vegetables	100	30
8. Betel leaves	100	30
9. Basil, hyasop, rosemary, sage, savory, comboge fruit rind	100	15
10. Seeds of a kind used for sowing	100	15
VIII. Edible oils (crude)		
1. Soyabean oil	45	Free
2. Palm oil	300	Free
3. Groundnut oil	300	Free

Continue to Page 118

Continued From Page 117

4. Sunflower	300	Free
5. Coconut oil	300	Free
6. Rapeseed oil0	75	Free
7. Other oil	300	Free
IX. Edible oils (Refined)		
1. Soyabean oil	45	7.5
2. RBD Palmolein	300	7.5
3. Palm oil	300	7.5
4. Groundnut oil	300	7.5
5. Sunflower oil	300	7.5
6. Coconut oil other	300	7.5
7. Rapeseed oil	75	7.5
8. Other oils edible grade	300	7.5
9. Other oils other than edible grade	300	65

1. Duty on pulses was reduced to zero on 8.6.2006 and is valid up to 31.3.2009.

2. with effect from 30.3.2007, duly on wheat was reduced to zero for imports by all.

3. With effect from 1.3.2007, all edible oils have been exempied from additional duty of customs of 4%.

4. The zero import duty on rice (semi-milled or wholly milled) and that on Atta is available for imports till 31.3.2009.

5. The zero duty on maize is available for a tariff rate quota (TRQ) of 5 lack metric tonns.

Source: Department of Revenue, Ministry of Finance, Govt. of India

This shown is the cereals and pulses bound duty percentage and basic custom duty. This shown table wheat is 100 percent custom duty 2007 by reduction free custom duty 2008. The cereals products, flower, meal and power of dried leguminous vegetables including sago, tamarind and mango are 150percent custom duty 2007 by reduction 30 percent 2008. Dairy products fresh milk and cream is 100 percent custom duty by reduction 30 percent 2008. Plantation crops reduction tariff tea and coffee is 150 percent duty 2007 reduction by 100 percent 2008. Coconut and copra is 100 percent duty 2007 reduction by 70 percent 2008.

This shown the sugar is 150 percent customs duty 2007 by reduction 60 percent 2008. Horticulture onions are 100 percent duty 2007 reduction by 5 percent 2008. Mushrooms, potato and other edible roots and tubers with high starch or insulin content, fresh or chilled 100 percent custom duty 2007 by reduction 30 percent 2008. All other vegetable betel leaves 100 percent customs duty 2007 by reduction 30 percent 2008. Basil, hyasop, rosemary, sage, savery, comboge fruit rind 100v percent duty 2007 by reduction 15 percent 2008.

Edible oils (crude oil) 300 percent duty 2007 by reduction free custom duty 2008. Soya-bean oil, palm oil, other oils is free custom duty 2008. Edible oils (Refined) 300 percent custom duty 2007 by reduction 7.5 percent custom duty 2008. This table showed the tariffs and bound rates on major agricultural commodities.

7.7) Tariff Rate Quotas:

Tariff Rates Quotas TRQ), ratification did not necessarily result in liberalization or greater market access although it did make the level of protection more transparent by establishing tariff ceilings. However high tariff can prevent realistic market access opportunities permitted limited imports at relatively low tariff rates bus charged higher tariff on additional imports or did not allow import over the quotas limit. Member allowing import opportunities of more than 5 percent of the domestic market agreed to maintain these opportunities and other members undertook to create opportunities equivalent to 3 percent by the end of the implementation period. These current and minimum market access commitments are listed in each member schedule of concessions. In most cases market access commitment were implemented by tariff quotas which allow imports at low tariff rates up to certain volumes. This arrangement known as a tariff rate quota has not been without difficulties with member notification often questioned in the commitment on agriculture. The general believe that there is not enough clarity or detail in the rules on distribution of tariff rate quotas by countries.

Table No.7.3

Tariff Quotas by Product Category

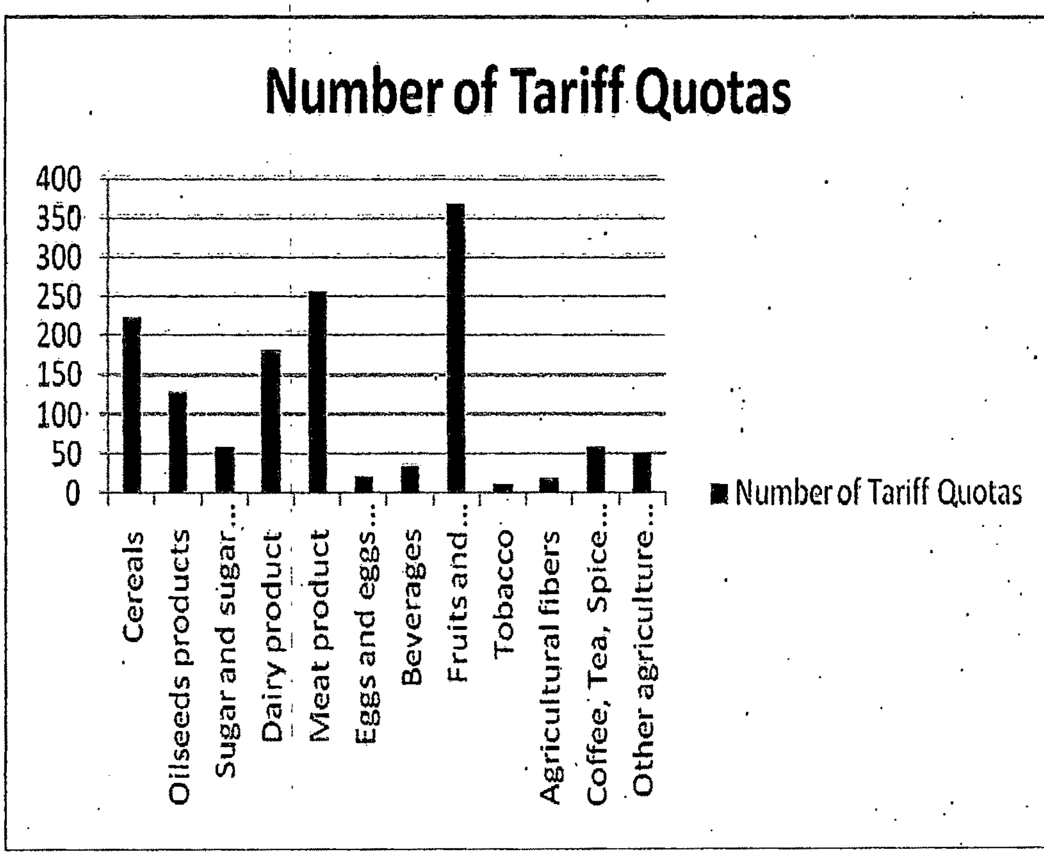
No	Product Category	Number of Tariff Quotas
1	Cereals	226 (15.8)
2	Oilseeds products	129 (9.0)
3	Sugar and sugar product	59 (4.1)
4	Dairy product	183 (12.8)
5	Meat product	258 (18.1)
6	Eggs and eggs product	21 (1.4)
7	Beverages	35 (2.4)
8	Fruits and vegetables	370 (25.9)
9	Tobacco	13 (0.9)
10	Agricultural fibers	20 (1.4)
11	Coffee, Tea, Spices, and Agriculture product	58 (4.0)
12	Other agriculture product	53 (3.7)
	Total	**1425 (100)**

Source: - WTO 2002a, 2002

Note: Figures in the parenthesis indicate Percentages to total.

Graph No.7.1

Tariff Quotas by Product Category



7.8) Share of output Tariff Quotas:

The share of output tariff quotas is developed countries high and less developed and developing countries low share output tariff quotas the table analysis of share of output tariff quotas in developed countries and developing countries.

Table No.7.4

Share of output Tariff Quotas

No	Countries	Tariff Quotas (%)
1	OECD Average	28.5
2	European Community	39
3	United State	26.2
4	Japan	13.1
5	Eastern Europe	50.0
6	Australia, New Zealand	0.05
7	Other industrial	49.o
8	Other developing Countries	13.0

Source: - OECD, Agriculture market access database.

The share of output tariff quotas 39.2 percent European community, 26.2 percent US country, 13.1 percent Japan country, 5o percent Eastern Europe country, Australia, New Zealand country is o percent tariff quotas and other developing Countries 13 percent low tariff quotas. This OECD average 28.5 percent is share of output tariff quotas. This developed country high level tariff of agriculture product and developing countries low level tariff in agriculture product.

7.9) Tariff Reduction:

i) Current tariff reduction commitment based on unweighted average tariff reduction have allowed countries to have larger tariff reduction on commodities with low tariff which are of little importance to exporters and politically less sensitive domestically. This short coming can be mitigated if all tariff reduction commitments are made on an individual product basis or using a formula approach.

ii) Tariff level need to be reduced substantially because of gaps between bound tariff and applied tariffs and between applied tariffs and tariff equivalents of binding import quotas.

iii) No ad valorem tariffs should be converted to ad valorem equivalents to increase transparency and then be reduced to levels consistent with reduction commitment for current ad valorem tariffs.

iv) Tariff dispersion should be dealt with by lowering higher tariff faster. For example, using a Swiss formula type approach, significant improvements were shown to occur.

v) Tariff escalation should be dealt with by immediately lowering all tariffs on processed foods to current tariffs on imported intermediate or farm bulk products using a Swiss formula type approach.

vi) Discretionary duties in the European Union (EU) and special safeguard duties for rich countries should be eliminated.

vii) No tariff should be employed to fulfil non trade concerns.

7.10) Removal of Reductions:

Quantitative restrictions have largely been removed. However the country is still maintaining the standards for goods in market in public interest many of which were condemned by the Raghavan Committee. For example imports have also been made subject to the following domestic regulations.

i) Import of all food production we be subject to compliance of all the provisions of food adult ration act and rules there under.

ii) Impact of meat and poultry products will be subject to compliance of all the provisions of meat food product order.

iii) Impact of the tea waste will be subject to compliance of tea waste.

iv) No import of textile azoic dye shall be allowed. For this purpose a pre shipment inspection certificate has been made mandatory.

v) In view of round safety and environment considerations imports of second hand and new automobiles of have been allowed subject to certain conditions.

vi) To ensure that import of agricultural products do not lead to unwanted infiltration of exotic disease and pests in the country it has been decided to subject import of primary products of plant and phyto sanitary permit to be issued by development of agriculture an cooperation. This permit will be based on import risk analysis of the product to be condensed with the WTO agreement on application of sanitary and phyto-sanitary measures.

7.11) Conclusion:

Tariffication of all non-tariff barriers this is to say that removal of quantitative restrictions. In case of India quantitative restriction removed on 715 items out of these 147 are agricultural products including alcoholic beverages from April 2001. As for as Indian is concerned the present levels of India's tariff rates are significantly lower than that of final bound rates for a very large number of commodities. Similarly for pulses the bound rate 100 percent, but they are being imported under OGL at zero import duty in 2007-2008. The selected edible oils, whereas the bound rate of duty go as high as 300 percent, even when the country is flooded with imports of edible oils, as was the case during 2006-2007.

Thus the AOA is a challenge as well as risk of developing countries like India. Under these circumstances, to gain the market share the developing countries have to improve the quality of their agricultural products at the comparable to international standards' at the competitive rates, products are to be displayed in tread fair in various countries, to have is do the regular and continuous studies on the likeliness of the countries.