

AGRICULTURE IN BARBADOS by Allan H. Turnbull

Barbados has achieved remarkable economic success for most of the past several decades, even though it is a small island developing state. Barbados is ranked an impressive 31st out of 173 countries by the United Nations' Human Development Index¹ which is intended to measure the quality of life in a country based on an assessment of various factors such as per capita income, education, literacy, liberty and life expectancy.

The United Nations' Human Development Index ranks Barbados to have the best quality of life in the Caribbean. The country enjoys an impressive GDP per capita of almost US\$10,000.², an adult literacy rate of 98%³, and an average life expectancy at birth of 77⁴ years.

The economic success of Barbados is even more impressive when considered in light of the structural challenges faced by this small but dynamic island. Barbados has a land mass of only 166 square miles, somewhat more than twice the size of Washington, D.C., with no natural resources to speak of other than some small deposits of oil and natural gas, and the country is populated by 268,000⁵ people.

The combination of a small tropical island with no natural resources, susceptibility to natural disasters such as droughts and hurricanes, and a small population base or potential market size, means that a very limited range of goods are produced in Barbados in small lots or units. As a result, the production undertaken in Barbados usually suffers from diseconomies of scope and diseconomies of scale, and also generally suffers from high unit costs for input factors, high unit costs for transportation and freight, and generally high unit transaction costs. Unfortunately, Barbados is currently a high cost producer of goods.

The structural challenges faced by Barbados with its limited and narrow production base, and heavy reliance on imported goods, underscores the importance of

international trade to the prosperity and well being of all Barbadians. With so much of Barbados' standard of living dependent on trade, extended and enhanced access to foreign markets on a transparent, equitable, predictable and sustainable basis, in accordance with a rules-based system, is essential to generate the foreign exchange and wealth necessary to maintain and enhance a standard of living in Barbados that is already well above many other countries in the world.

At the same time, however, the structural challenges faced by Barbados with its narrow and limited production base, heavy reliance on imported goods, and a generally open economy, exposes Barbados to externally generated disruptions caused by commodity price fluctuations and unstable world market conditions, that only exacerbate the difficulties created by the structural challenges. The very same structural challenges also constrain the fiscal and other policy options available to the government to overcome these obstacles.

The ability already demonstrated by Barbados over the years to cope with its structural challenges and emerge with a very high standard of living is a testament to the fact that the most important Barbadian resource is undoubtedly its human capital that will stand the country in good stead for the challenges and opportunities that lie ahead, including those related to agriculture.

I. DOMESTIC AGRICULTURE

Historically, the structural challenges faced by Barbados of necessity led to specialization that resulted in a very narrow production base overwhelmingly oriented towards agriculture. Not surprisingly, the soil, topography and rainfall patterns of the island caused raw sugar, produced from sugar cane, to become the predominant agricultural product of Barbados and the predominant Barbadian export.

Specialization also meant that local agricultural production was not able to meet local demand, with the result that Barbados was heavily dependent on imports to meet its basic food requirements, and heavily reliant on raw sugar to generate the foreign exchange necessary to finance food and other imports to meet the country's domestic needs.

As a result, historically, Barbados was quite dependent upon the export of sugar, and related products such as molasses and rum, directed towards limited export markets, in particular the United Kingdom, that were made possible by non-reciprocal preferential trade arrangements for those products. More recently, exports of sugar and rum to the European Union, with the benefit of non-reciprocal preferential access under the Lomé Convention, accounted for more than half of Barbados' agri-food exports. In addition, Barbados is also granted duty-free non-reciprocal preferential access to United States for an allocated quota of raw sugar.

Since the 1950s there has been a gradual shift away from agriculture, and in particular from sugar as the traditional mainstay of the Barbados economy, towards the tourism sector. Today, as sugar and agriculture decline, the services sector, and in particular tourism, financial services and international business, has become the backbone of the Barbadian economy and the predominant generator of foreign exchange.

In that regard, the World Bank reports that the share of GDP contributed by the services sector in Barbados grew from about 70% in 1981 to over 74% in 2001.⁶ By comparison, the World Bank also reports that the percentage contribution of agriculture to Barbados' GDP declined from 7% in 1981 to only 5.5% in 2001.⁷ The average contribution of agriculture to GDP over the period 1995-2000 was 6.4%.⁸ Over the same six-year period sugar on average accounted for 39%⁹ of agricultural production in Barbados. The contribution made by sugar to Barbados' GDP declined from only 1.9% in 1997 to 1.5% in 2000.¹⁰

The decline in agriculture, and in particular sugar, over the years has occurred in spite of significant non-reciprocal preferential access to the European Union market under the Lomé Convention. Barbados' sugar is exported to the European Union in annually fixed volumes at annually determined prices that are substantially higher than world market sugar prices. The Barbados export quota in 2001 was 54,000 tons down from 60,000 tons in 1997.¹¹ Unfortunately, Barbados is a high cost producer of raw sugar for reasons that include the structural challenges faced by the country.

Despite the high sugar prices guaranteed by the European Union for Barbados' sugar under the non-reciprocal preferential access arrangements, Barbados' sugar producers incur significant losses in most years. In that regard, in 1999 the cost to produce a tonne of raw sugar was estimated to be BDS\$1,526.40,¹² while the guaranteed price paid by the European Union for Barbadian sugar was only BDS\$1,132.00¹³ a tonne, that resulted in the country losing about BDS\$21¹⁴ million even though the guaranteed price paid by the European Union was considerably higher than world sugar market prices. In 2000 Barbados lost \$24¹⁵ million on the production of raw sugar.

As a result, in 1999 and 2000, even with non-reciprocal trade preferences, the government of Barbados provided price support subsidies to sugar producers to offset revenue declines caused by the depreciation of the Euro relative to the US dollar.

The government also provides an incentive to replant sugar cane and increase production. In that regard the non-reciprocal preferential duty-free access sugar quota allocated by the United States to Barbados of about 7,300 tonnes for the 2001/2002 crop year was not filled due to insufficient production.¹⁶

If anything, the situation for sugar producers is likely to further deteriorate as the trade preferences are eroded and phased-out over time. In that regard, the Lomé Convention between African, Caribbean and Pacific (ACP) states and the European Commission that provided for duty-free access to the European Union market, for products such as Barbados' sugar, ended in 2000 and was replaced by the Cotonou

Agreement. The Cotonou Agreement provides for the rollover of many of the Lomé Convention's non-reciprocal trade preferences until the end of 2007, and provides a framework for the negotiation of new WTO compliant Economic Partnership Agreements that are to be in place by 2008. In short, the non-reciprocal trade preferences granted by the European Union to the ACP, including Barbados, are expected to end and place further pressure on Barbados' agriculture.

The decline in agriculture over the years, despite preferential trade arrangements, raises significant challenges for Barbados that recognizes the "public good" nature or value of agriculture to the island. In that regard, the World Bank reports that more than 50% of Barbadians live in urban centers up from more than 48% in 1997.¹⁷ Since a significant percentage of Barbados' population resides in rural areas, a continued decline in agriculture will adversely affect rural development and environmental stewardship of the island's ecosystem.

The decline in agriculture over the years underscores the importance of a vibrant expanding services sector that can generate foreign exchange to finance imports and economic development. Beyond that evolution, however, the decline in agriculture exacerbates Barbados' status as a net food-importing country and raises challenges about an acceptable level of food security. In that regard, almost 74%¹⁸ of the value of food consumed in Barbados is imported from elsewhere. The relative value of Barbados' imports compared to its exports has deteriorated from 3.18:1 over the period 1990-1994 to 3.33:1 over the period 1996-1998.¹⁹ Annual per capita Barbadian expenditures on imported food amount to about US\$320.²⁰

The decline in agriculture over the years, and in particular the viability of sugar production, has caused Barbados, in recognition of the "public good" nature of agriculture, to implement policies and allocate resources to develop and promote products that might complement sugar cane production and encourage agricultural diversification. The potential for agricultural diversification includes sea island cotton, black belly sheep, poultry, pork and dairy, cut flowers and fresh fruits and vegetables.

With respect to cotton, about 59 hectares were planted in 2000 with a yield of almost 12,000 kilos of processed lint.²¹ The domestic poultry industry satisfies more than 80% of local demand.²² Over the period 1996-2000 domestic annual production reached 12 million kilos of chicken from about 8 million birds.²³ Despite increases in local demand, pork production in Barbados has declined significantly from about 2.8 million kilos in 1997 to 1.4 million kilos in 2002.²⁴

The Pine Hill Dairy is the sole producer of milk on the island. About 75%²⁵ of the dairy's raw milk requirements are supplied by local farmers. Pine Hill Dairy also produces yogurt and fruit juices.

With respect to horticulture, Barbados exported more than 21,000 kilos of cut flowers in 2000.²⁶ In addition, about 2,000 hectares of land are under cultivation to vegetable crops such as cabbage, beans, carrots, cucumbers, tomatoes, sweet potatoes and yams; and more than 213 hectares of land are devoted to fruit production.²⁷ Fruit and vegetable production in Barbados is not sufficient to meet local demand although the country is estimated to supply more than 60% of its domestic fruit requirements.²⁸

With respect to fish, more than 900²⁹ fishing boats are in operation. About 3500³⁰ tonnes of fish are landed annually at about 20 tertiary and 9 secondary landing sites³¹. Annual exports of fish amount to about US\$1 million.³² The gradual increase in the volume of fish landed over the years has resulted in significant growth in the number of ice boats that can remain at sea for up to 7 days, and improved fishing techniques, that has increased productivity in the Barbados' fish industry.

Faced with financial and institutional resources, the decline in agriculture over the years has challenged Barbados to seek a delicate balance between policies that allocate limited resources to promote the future growth and development of the very important service sectors, and policies that allocate limited resources to promote agricultural growth

and diversification – a delicate balance that could have implications for the competitiveness of the service sectors.

II. DOMESTIC REGULATION OF TRADE IN AGRICULTURE

Agricultural production in Barbados is a high cost venture because of structural challenges that give rise to diseconomies of scope; diseconomies of scale; high unit input costs; high unit transportation and freight costs; and generally high unit transaction costs.

There has been no comprehensive legislative framework in place to address the structural challenges faced by agriculture in Barbados. Most of the current legislation tends to focus on sugar, although sugar only accounts for about a third of the island's agricultural output, and is not directed towards the needs of a modern industry. Many of the incentives and other programs that are available to assist the agriculture sector are not incorporated into law and can be administered in a discretionary and inefficient manner.

In the absence of a comprehensive legislative framework, the structural challenges faced by agriculture have tended to be addressed by border measures that seek to protect agricultural production from external forces, in order to enhance food security and to allow the sector time to develop or restructure and grow in a relatively insulated environment. Barbados has traditionally relied upon tariffs and import licenses to protect the domestic agriculture and agri-food sector. The effective protection is increased by the ability of domestic producers to import most of their inputs duty-free under a variety of waivers and exemptions with respect to duties and taxes that would otherwise be payable.

The average MFN tariff in 2001 was 16.5%, but much higher tariffs were applied to protect sensitive sectors and in particular agriculture. In that regard, the average MFN tariff for agricultural products in 2001 was 36.7% compared to 12.6% for non-agricultural goods.³³

Discretionary import licenses were used until April 2000 to control imports of certain goods that included 43 agricultural and fish products that were produced in Barbados.³⁴ In April of 2000, required import licenses became automatic and were used to monitor imports rather than for protective purposes, although import licenses could be made automatic or discretionary by administrative decision.

Non-automatic import licenses were an effective means to protect against imports, even though when the licenses were made automatic import tariffs were adjusted upwards to provide an equivalent level of tariff protection. To ensure food security in the aftermath of September 11, 2001, non-automatic import licenses were implemented again in November of that year, for a period of three months, in relation to beef, pork, lamb, poultry, milk, tomatoes, onions, cabbages, lettuce, carrots, sweet peppers and melons.³⁵ After that three month period required import licenses became automatic once again and have no longer been used for protective purposes. However, if considered necessary, non-automatic licenses could be re-introduced again by administrative decision.

Apart from discretionary import licenses, other quantitative restrictions that prohibit and control imports are in place to protect national security, safeguard public health and morality, or to preserve and protect domestic plant and animal life and the environment.

A measure of protection for Barbadian agriculture is also provided by certain state trading enterprises. In 1996 Barbados notified the World Trade Organization (WTO) that it maintained two state trading enterprises: Barbados Agricultural Development and Marketing Corporation (BADMC) and Barbados Dairy Industries Limited (BDIL) also known as Pine Hill Dairy.³⁶

The BADMC holds a monopoly on the import of all poultry products and a monopoly on duty-free imports of raw sugar and onions. It was created by statute in 1993 to regulate domestic markets and control prices; protect domestic producers by

control of agricultural imports; and to promote agricultural exports. The BADMC also imports some peanuts and apples and is de facto the only exporter of cotton. The BDIL or Pine Hill Dairy is a semi-private company that was until 1994 designated as the entity with exclusive authority to import and export dairy products.

In addition, although not mandated by statute, the Barbados Agricultural Management Company is de facto the sole exporter of raw sugar and controls domestic sugar production through ownership of the sugar mills that are in the process of being rationalized and restructured.

With respect to fish, Barbados has a 200-mile maritime exclusive economic zone; however, that zone overlaps with similar economic zones for six other countries, including Trinidad and Tobago. Negotiations are underway, beginning with Trinidad and Tobago, to arrive at a maritime boundary treaty and to conclude a new fisheries agreement to replace the agreement that expired in 1991. By law only a citizen of Barbados, or the holder of a valid permit who has concluded an agreement with the government, has authority to fish in Barbados' exclusive maritime economic zone.

Unfortunately, despite preferential trade arrangements for the benefit of Barbados' agriculture, and despite high border protection in the form of import tariffs and until recently discretionary licenses to control agricultural imports, agricultural production has continued to decline in the face of Barbados' structural challenges and increased competitive pressures due to increasing trade liberalization.

In light of the importance of Barbadian agriculture to rural development, environmental sustainability, and food security, the government has announced that it intends to introduce a *Sustainable Agricultural Development Act*³⁷ that is anticipated to provide a comprehensive legal framework tailored to meet the challenges of the agricultural sector and to promote the industry's development and growth; as was done for other sectors of the economy, such as the *Tourism Development Act* that provides a

comprehensive legal framework to promote the growth and development of the tourism sector of Barbados.

The new *Sustainable Agricultural Development Act* will be required to strike a delicate policy balance between the development needs of agriculture and the development needs of other sectors of the Barbadian economy. In that regard, for example, tourism tends to increase the price of land that could negatively impact upon agricultural development in the absence of an effective land use policy. In addition, protection for domestic agriculture increases food prices and could have an adverse impact upon Barbadian consumers and upon the competitiveness of the tourism sector.

While the elements of the new agriculture legislation are not yet known, the government has determined that the best way to help agriculture is not by higher tariff protection but by income transfers and special incentives.³⁸ Pending the new legislation, an Agricultural Commission, comprised of producers, service providers and representatives of the Ministry of Agriculture will be responsible to effectively manage the implementation of all agricultural development policies.

III. INTERNATIONAL DYNAMICS

The structural challenges that face Barbadian agriculture are further complicated by globalization and the evolving economic and legal framework for trade at a regional, hemispheric and global level.

Barbados is a member of Caricom, along with 14 other Caribbean countries, and fully supports the Caricom Single Market and Economy (CSME) initiative that was launched in 1991. The CSME when fully implemented will ultimately allow Caricom goods including agriculture, services, capital, and people to move freely throughout the

region; the creation of a single relatively large regional market; and the development of a common economic and trade policy for the region.

In an effort to address structural challenges, Barbados anticipates that the CSME will enable entrepreneurs to use the expanded regional market as a means to develop competitive and productive enterprises that can then be successfully integrated into markets beyond the region; provide greater scope for cooperation and joint ventures in production and marketing initiatives; and to enhance the institutional, technical and negotiations capacity, and overall productivity of the region.

While intra-regional trade in Caricom is only about 10% of the region's total trade, due to the similar nature of the commodities produced, member states of Caricom recognize that economic integration is a positive means to improve upon their individually small economies and exploit their good geographic location in a global economic environment. In 2001, the prime minister of Barbados urged that the CSME be rapidly implemented to provide the best possible opportunity to fully capitalize on its effectiveness before the Free Trade Area of the Americas (FTAA) is established.³⁹

Barbados is also one of 34 countries that seek to create the FTAA by 2005. Barbados hopes to realize a number of benefits from the FTAA such as improved market access to Latin America, more secure access to the United States, and increased foreign investment. Despite the potential for new opportunities for Barbados, the FTAA will at the same time expose Barbadian producers to increased competition at home, in Latin America and elsewhere in the FTAA. As a result, Barbados seeks to negotiate suitable transition periods to gradually phase-in FTAA provisions, such as those related to agriculture, and to negotiate special and differential treatment. The special and differential treatment is intended to address the structural challenges faced by Barbados and other small economies; enable Barbados to receive its fair share of benefits from the FTAA; minimize potential dislocation; and provide an effective platform from which to integrate into the global economy. At the same time, Barbados is also involved in the

Doha Round of multilateral trade negotiations at the WTO that are scheduled to be concluded by 2005 as well.

Finally, Barbados is involved in negotiations with the European Union to achieve a new Economic Partnership Agreement that is to replace the non-reciprocal preferential access provisions of the Lomé Convention that were generally continued under the Cotonou Agreement until the end of 2007. In addition to the Lomé Convention benefits currently extended under the Cotonou Agreement, Barbados also benefits from the General System of Preferences (GSP) offered by a number of countries under the GATT that include the European Union, the United States and Canada. Under the Caribbean Basin Initiative (CBI) and the GSP many Barbadian producers were granted non-reciprocal duty-free access to the United States. Similarly, under the Commonwealth Caribbean Country Tariff (CARIBCAN) Canada grants non-reciprocal duty-free preferential access to many Barbadian products.

Trade liberalization over the recent past, whether by way of autonomous liberalization by individual states, by escalation in the number of regional trade agreements, or by multilateral negotiations under the WTO, has eroded the value of the non-reciprocal preferences available to Barbados.

Barbadian policies to address the structural challenges faced by the island are complicated by international dynamics, and in particular by the need to simultaneously satisfy the requirements of the CSME, FTAA, and the Cotonou Agreement; all of which need to take into account the capacity of small economies to adapt to trade liberalization and at the same time be compatible with WTO rules that are also currently being negotiated.

IV. WORLD TRADE ORGANIZATION

The World Trade Organization was created out of the Uruguay Round of multilateral trade negotiations that ended in 1994. The Uruguay Round negotiations with respect to trade in agriculture resulted in four key components comprised of: the Agreement on Agriculture (AoA); the concessions and commitments made by members that are detailed in the country schedules attached to the Marrakesh Protocol; the Agreement on the Application of Sanitary and Phytosanitary Measures; and the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries.

The Uruguay Round agreements with respect to agriculture are a significant departure from the situation that had previously existed, and marked an important first step in the initiation of a reform program intended to achieve the long-term objective identified in the preamble of the AoA. That objective is to establish a fair and market-oriented trading system for agricultural products.

The preamble to the AoA also sets out some important general principles that are to guide the reform program. In that regard, the preamble indicates that developed countries' commitments are to take into account the particular needs and conditions of developing countries through the provision of greater improvement in market access opportunities for agricultural products of particular interest to developing countries, including tropical agricultural products and agricultural products that facilitate diversification away from illicit narcotic crops. The preamble further instructs that commitments under the reform program should be made in an "equitable" way among all countries and take into account non-trade concerns that specifically include food security and environmental protection. Finally, the preamble instructs that special and differential treatment for developing countries is to be an integral element of the negotiations and that the negotiations should take into account the possible negative effects of the reform program on least-developed and net food-importing developing countries.

IV.1 Agreement On Agriculture

The AoA addresses market access, domestic support, and the use of export subsidies with respect to trade in agricultural products. The AoA includes virtually all agricultural products, including most processed agricultural products, and a few specific products such as hides, skins, raw silk, wool and cotton. The AoA, however, does not apply to fish and fish products.⁴⁰

IV.1.1 Market Access

With limited exceptions, the AoA generally prohibits the use of non-tariff border measures, such as quantitative restrictions, variable levies and import bans.⁴¹ In other words, the Uruguay Round of negotiations generally resulted in a “tariff-only” approach to agriculture. That objective was accomplished through the option of a “tariffication” process that allowed the value of non-tariff border measures to be converted into a tariff equivalent that, when combined with existing tariffs, provided substantially the same level of protection from agricultural imports. About 40 countries chose to participate in the tariffication process.

All countries were then obliged to bind their agricultural tariffs against increases above the levels indicated in their schedules of concessions and to commit to reductions in these tariffs including the increased tariffs that resulted from the process of tariffication. Developing and least-developed countries were allowed the flexibility to bind their agricultural tariffs at “ceiling rates” that could be much higher than their applied rates, while developed countries were required to generally bind their agricultural tariffs at levels applied during the base period.

Developed countries committed to reduce their agricultural tariffs by an average of 36%, with a minimum reduction of 15% on individual products, while developing countries were to reduce their agricultural tariffs by an average of 24%, with a minimum

reduction of 10% on individual products. Developed countries were to implement these tariff reduction commitments over a period of six years from January 1, 1995, while developing countries were to implement their tariff reduction commitments over a period of ten years. Least-developed countries were not subject to any tariff reduction commitments.

Obviously, in instances where non-tariff border measures were particularly restrictive, the tariffication process resulted in very high tariff equivalent converted protection for sensitive agricultural products. As a result, the Uruguay Round negotiations required countries to maintain current market access opportunities for agricultural products subject to minimum market access requirements in the form of tariff rate quotas, at no or reduced duties for in-quota volumes, equivalent to 3% of domestic consumption during the base period. The minimum access requirements were to increase to 5% of base period domestic consumption over six years for developed countries and over ten years from January 1, 1995 for developing countries.

There was concern that despite the removal of non-tariff border restrictions in favour of equivalent protection by tariffication, the minimum access requirements could lead to a surge in agricultural imports that could cause serious injury to domestic producers of like products. To guard against that possibility, countries were afforded the opportunity to reserve in their schedules of concessions, by specific product designation, the right to use a special safeguard for agricultural products that had been subject to tariffication. The special agricultural safeguard allows for additional duties up to a maximum amount to be applied to such designated products: in the event that import shipment prices fall below a certain pre-determined reference price; or in the event of a surge in the import volume of such specific agricultural products.⁴² The trigger level for import surges depends upon the level of domestic market share already held by the imports. In other words, where imports of a designated agricultural product already serve a high proportion of domestic consumption, the level of import surge required to trigger the special agriculture safeguard is lower than would otherwise be the case if the import market share was relatively low. Unlike the normal safeguards situation with respect to

non-agricultural goods, there is no requirement to establish serious prejudice in order to apply the special agriculture safeguard.

Other exceptions⁴³ to the prohibition against non-tariff border measures were allowed during the Uruguay Round negotiations. The first exception was available for any country to reserve “special treatment” for any primary agricultural product that met certain conditions. In that regard, imports of the product had to be less than 3% of domestic consumption; the product could not benefit from export subsidies; and domestic production of the primary product had to be subject to effective restriction. Where those conditions were met, a country could choose to designate the primary agricultural product in its schedule of concessions as being subject to “special treatment” to reflect non-trade concerns such as food security and environmental protection. In exchange for that special treatment, the country had to agree to higher minimum access requirements. In that situation the minimum market access requirement was 4% of domestic consumption to be increased to 8% of domestic consumption over the implementation period.

The second exception that was available during the negotiations was only open to developing countries in respect of a primary agricultural product that was the predominant staple in the traditional diet of such a country. The developing country could reserve in its schedule of concessions the right to retain non-tariff border measures to protect such a special agricultural staple provided that similar conditions as those outlined above were satisfied subject to minimum market access requirements of 1% of domestic consumption to be increased to 4% over the ten-year implementation period.

IV.1.2 Domestic Support

The AoA distinguishes between green box and amber box domestic support programs. Green box domestic support programs are measures that are considered to have minimal or no trade-distorting effect and are not subject to reduction commitments, while amber box domestic support programs are measures considered to distort trade and, as a result, are subject to reduction commitments.

For green box⁴⁴ domestic support, the AoA provides two basic overriding general criteria followed by additional policy-specific criteria that depend upon the type of policy or program being considered. The basic general criteria require that the domestic support be publicly funded through a government program that does not involve transfers from consumers, and that the domestic support shall not have the effect of providing price support to agricultural producers.

Green box policies include general government services that do not involve direct payments to producers such as:

- research services;
- pest and disease control;
- marketing and promotion;
- training and advisory services; and
- infrastructure services.

Green box policies or measures also include direct payments to producers in the form of:

- income support that is “decoupled” from production, market prices, or input factors used in production, in any year after the base year;
- structural adjustment assistance;
- environmental or conservation program compliance assistance; and
- regional assistance programs.

During the Uruguay Round negotiations each country was required to calculate their Total Aggregate Measurement of Support (AMS) comprised of the total value of product-specific and non-product specific amber box or trade-distorting domestic

support, subject to certain exemptions, that was provided during the base period. Members were then required to commit in their schedules of concessions to specific reductions in such trade-distorting domestic support. Developed countries were required to reduce their AMS by 20% over six years from January 1, 1995 and developing countries were required to reduce their AMS by 13.3% over ten years. Least-developed countries were not required to make any AMS reduction commitments.

Amber box or trade-distorting domestic support that is exempt from AMS, and hence from reduction commitments, include *de minimis* support and blue box domestic support. Amber box domestic support is *de minimis*⁴⁵ if it does not exceed a minimum threshold of the value of individual agricultural products for product-specific domestic support; or of the total value of agricultural production in the case of non-product-specific domestic support. The minimum thresholds are 5% for developed countries and 10% for developing countries. Exempt blue box⁴⁶ domestic support is comprised of direct payments to producers that are designed to limit agricultural production provided that certain conditions are met.

With respect to developing⁴⁷ countries, certain amber box or trade-distorting domestic support measures intended to encourage agricultural and rural development, that include generally available investment subsidies; input subsidies to low-income producers; and support to encourage diversification away from illicit narcotic crops, are also exempt from their AMS and exempt from reduction commitments.

Countries that did not make any domestic support reduction commitments, aside from least-developed countries, must limit their trade distorting domestic support to *de minimis* levels or come within the blue box or developing country exemptions.

The aggregate nature of the AMS also allows considerable flexibility for countries to increase domestic support for specific agricultural products, reduce support for other such products, and still meet their overall reduction commitments.

IV.1.3 Export Subsidies

Prior to the AoA export subsidies could be applied to specific agricultural products subject to the relatively weak proviso that such subsidies should not be used by any country to capture more than its “equitable share” of world trade in that agricultural product.⁴⁸

The AoA is an attempt for the first time to prohibit most new export subsidies. Certain export subsidies that were applied during the base period could be continued provided that such export subsidies were designated and certain reduction commitments made in a country’s schedule of concessions. As a result, any of the export subsidies listed⁴⁹ in the AoA are prohibited unless they are subject to specific reduction commitments in the country’s schedule of concessions or come within the developing country exemption.

The export subsidies listed in the AoA are:

- direct subsidies contingent on export of agricultural products;
- government export sales and non-commercial stock disposals of agricultural products at prices below domestic market prices;
- payment on the export of agricultural products that are financed by virtue of government action, whether or not a charge on the public account is involved, and includes a product levy;
- subsidies to reduce the cost of marketing exports of agricultural products, that include processing costs and the cost of international transport and freight;
- subsidies that reduce the cost of domestic transport and freight charges on export shipments of agricultural products; and

- subsidies on agricultural products that are contingent upon their incorporation into exported products.

The AoA requires members to reduce both the value of listed export subsidies, and the quantity of agricultural products that benefit from the listed subsidies.

Developed countries are required to reduce the value of listed export subsidies identified in their schedules of concessions by 36% over six years from January 1, 1995, and to reduce the volume of products that benefit from such export subsidies by 21% over the same period. Developing countries are required to reduce the value of listed export subsidies identified in their schedules of concessions, subject to certain exceptions, by 24% over ten years from January 1, 1995, and to reduce the volume of products that benefit from such export subsidies by 14% over the same period.

Export subsidies used by developing countries to reduce the cost of marketing agricultural exports, or to reduce the cost of domestic and international transportation of export shipments of agricultural products, are exempt from reduction commitments.

The AoA builds in some flexibility⁵⁰ in regard to export subsidy reduction commitments such that the value and quantity of listed export subsidies are allowed to exceed annual limits that are in a country's schedule of concessions by a small margin provided that the country meets its overall reduction commitments at the end of the implementation period.

Export subsidies, other than the subsidies listed in the AoA, and non-commercial transactions, are not to be used to circumvent⁵¹ export subsidy reduction commitments. In addition, the AoA sets out criteria with respect to international food aid⁵² that are designed to prevent such aid from being used as a disguised export subsidy. Members also undertook to work towards international disciplines to govern the provision of export credits, export credit guarantees and insurance programs.⁵³ Efforts have been made under the auspices of the OECD to reach agreement on such multilateral disciplines; however, to date no such agreement has been achieved.

IV.1.4 Export Restrictions

The AoA requires that developed countries that introduce new export prohibitions or restrictions on the export of food, under the GATT⁵⁴ requirements with respect to critical shortages, are required to give “due consideration” to the impact of such new export restrictions on the food security of importing countries. They are also obliged to provide advance notification of new export restriction measures to the Committee on Agriculture and, if requested, to consult about such measures.⁵⁵

IV.1.5 Peace Clause

To encourage countries to comply with the requirements and commitments with respect to trade in agriculture, the due restraint⁵⁶ or “peace clause” of the AoA limits the challenges that might otherwise be taken against domestic support and export subsidies that comply with the AoA. In particular, green box domestic support measures are protected against countervailing duty actions and other GATT challenges.

Amber box domestic support or trade-distorting domestic support that conforms to the required reduction commitments, and blue box payments under production-limiting programs, are subject to countervailing duties only if they can be shown to cause or threaten to cause material injury provided that “due restraint” is exercised in the initiation of such action. Trade-distorting domestic support that complies with the requirements of the AoA are exempt from other GATT challenges provided that the level of support for a specific agricultural product does not exceed the level that was operative in 1992.

Finally, export subsidies that comply with the requirements of the AoA are subject to countervailing duties only upon a determination of injury, or threat of injury, provided, again, that “due restraint” is shown in the initiation of any such action; and are exempt from most other GATT challenges.

The peace clause expires at the end of 2003.

IV.2 Agreement on Application of Sanitary and Phytosanitary Measures

The GATT⁵⁷ has always recognized the right of a country to restrict trade where necessary to protect human, animal or plant life or health, provided that the measures are not applied in a manner that arbitrarily or unjustifiably discriminates between countries where the same or similar conditions prevail, and provided that the measures are not a disguised restriction on trade. There was concern, however, during the Uruguay Round negotiations that the general prohibition against non-tariff border measures with respect to agricultural products would lead to an increased and unjustified use of sanitary and phytosanitary measures to erect new barriers against agricultural imports.

The Uruguay Round Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) is modeled upon the Agreement on Technical Barriers to Trade that was first negotiated in the Tokyo Round of multilateral trade negotiations (1973-1979) and then revised in the Uruguay Round. The SPS Agreement was intended to clarify and expand upon the rules set out in Article XX(b) of the GATT to make it easier to distinguish between disguised protectionism and legitimate health and safety measures.

Sanitary measures are intended to ensure food and animal feed safety, and to prevent the entry of animal borne diseases into a country. The intent of phytosanitary measures is to ensure that imported plant varieties do not bring plant borne diseases into a country.

Consistent with the principles set forth in Article XX(b) of the GATT, the SPS Agreement reinforces the right of countries to initiate measures designed to protect human, animal or plant life or health.⁵⁸ The SPS Agreement mandates that sanitary and phytosanitary measures must be based on scientific principles and not be maintained without sufficient scientific evidence.⁵⁹ Where sufficient scientific evidence is yet to be

available, and there is immediate risk of spread of disease, for example, a country may impose on a provisional basis precautionary measures to protect human, animal or plant life or health, for a reasonable period of time to allow for additional information to be obtained and for an objective assessment of risk to be completed.

In addition, sanitary and phytosanitary measures are to be applied only to the extent necessary to protect human, animal and plant health and safety.

To encourage harmonization of sanitary and phytosanitary measures on as broad a basis as possible, the SPS Agreement provides that such measures that conform to technically relevant international standards, guidelines or recommendations are considered necessary for the protection of human, animal or plant life or health and presumed to be consistent with the requirements of the SPS Agreement and Article XX(b) of the GATT.⁶⁰ In that regard the SPS Agreement specifically refers to international standards, guidelines or recommendations developed by the Codex Alimentarius Commission, the International Office of Epizootics, and the various organizations that operate within the framework of the International Plant Protection Convention.

Countries are able to initiate health and safety measures that provide for a higher level of protection than the protection afforded by such international standards provided that there is a scientific justification for the extra protection or provided that it is based on an appropriate risk assessment.⁶¹ In circumstances where no relevant international standard exists, sanitary and phytosanitary measures must be justified on the basis of an appropriate risk assessment.

The SPS Agreement requires an appropriate risk assessment⁶² to take into account:

- available scientific evidence;

- methods of production, processing and control used in the country of export;
- prevalence of specific diseases or pests, and the existence of pest-free or disease-free areas in the country of export;
- ecological and environmental conditions in both the country of export and the country of import; and
- facilities for sanitary, quarantine and other treatment in the country of import.

The health and safety measures must be adapted to the sanitary and phytosanitary characteristics or regional conditions of the area from which the product originates and of the area to which the product is destined.

In addition, appropriate risk assessment for measures related to animal or plant life or health⁶³ is also required to take into account certain economic factors:

- the potential damage in terms of loss of production or sales in the event of the entry, establishment or spread of a pest or disease;
- the likely cost of control or eradication of the pests or diseases if they were to spread in the import country; and
- the relative cost-effectiveness of alternative approaches to limit the risks.

In other words, unlike the TBT Agreement which requires technical product standards to be applied on a MFN basis to imports from all WTO members, sanitary and phytosanitary measures, and in particular, those related to animal or plant-borne diseases may be more or less stringent based on the level of prevalence of specific diseases or pests in a particular country or in a specific region of a country.

While the SPS Agreement encourages harmonization at an international level, it also encourages importing countries to recognize as equivalent⁶⁴ different sanitary and phytosanitary measures applied by an export country that achieve substantially the same

level of protection. The SPS Agreement provides direction with respect to matters of control, inspection and approval procedures.

In an effort to ensure transparency with respect to sanitary and phytosanitary measures, the SPS Agreement includes requirements for notification of proposed new measures, or changes to existing measures, when they deviate from relevant international standards. In addition, a single enquiry point must be established for each country to be the primary information resource about sanitary and phytosanitary measures that are applied in the country.

The SPS Agreement provides for special and differential treatment of developing countries. Developing countries could have delayed the application of the SPS Agreement, except for the transparency provisions, for a period of two years. Least-developed countries were accorded a five-year transition period that expired on January 1, 2001. At the request of a developing or least-developed country, the SPS Committee may also grant time-limited exceptions from some or all of the obligations imposed by the Agreement. In addition, the SPS Agreement calls upon members to provide technical assistance to developing and least-developed countries to assist them to establish the legal and institutional framework, and technical capacity require-ed for the development and application of sanitary and phytosanitary measures.⁶⁵

In order to provide or maintain export opportunities for developing and least-developed countries, the SPS Agreement also requires members to take into account the special needs of these countries in the preparation and application of sanitary and phytosanitary measures, and encourages members to allow, where possible, longer time frames for compliance with such health and safety measures that affect agricultural products of interest to developing countries.

IV. 3 Least Developed and Net Food-Importing Developing Countries

The AoA recognizes that the implementation of trade liberalization in agriculture, and in particular reduction commitments with respect to export subsidies may, by reducing surplus food production, adversely affect the overall price and availability of food to the detriment of least-developed countries and developing countries that are net importers of food. To address these food security concerns, developed countries are required to take such action as is provided for within the framework of the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries.

In that Decision, Ministers agreed that:

- appropriate steps should be initiated to ensure that a greater proportion of food aid is provided to these vulnerable developing countries in a fully grant form;
- technical and financial assistance should be provided to these developing countries to improve their agricultural infrastructure and productivity; and
- appropriate steps should be taken to encourage the International Monetary Fund and the World Bank to establish new or enhanced facilities to help finance short-term commercial food imports.

The Committee on Agriculture created under the AoA is responsible to monitor implementation of the Ministerial Decision with respect to food security.

V. IMPLEMENTATION OF WTO AGRICULTURE RULES

Barbados became a contracting party to the GATT in 1967 and became an original member of the WTO from the outset on January 1, 1995. Barbados has now had

more than eight years of experience and challenges in connection with the implementation of WTO rules with respect to agriculture.

V.1 Market Access

Non-tariff border measures used to restrict or control imports such as quantitative restrictions or discretionary import licenses are generally prohibited provided that such measures are not reasonably necessary to protect national security, safeguard public health and morality, or to preserve and protect domestic plant and animal life or the environment. Even in these limited circumstances, such non-tariff border measures that prohibit or restrict imports of agricultural products are only permissible provided that the measures are not arbitrary, do not constitute unjustifiable discrimination between countries where the same or similar conditions prevail, and are not a disguised restriction on international trade.

As a result, tariffs are by far the most important means available for Barbados to protect domestic producers against agricultural imports. Barbados has bound all of its tariffs except those on fish and fish products⁶⁶ at ceiling rates that are higher than the rates that were applied in the base period.

At the end of 2004, Barbados' MFN tariffs on agricultural products as defined in the AoA are bound against increase at final rates of at least 100%, with other duties and charges being bound against increase at final rates of at least 70%. However, there are 40 agricultural products that are bound against increase at the end of 2004 at final rates that range from 110% for a variety of vegetables to 223% for tomatoes, with other duties and charges bound at rates that range from 170% to 244%.⁶⁷ Despite these very high tariffs, they have not necessarily provided effective protection for domestic agriculture as witnessed by the re-introduction of non-automatic licenses for a period of three months in November of 2001, for food security reasons after the events of September 11. As well, imports of all poultry products are within the exclusive domain of the BADMC.

Many of Barbados' agricultural exports benefit from non-reciprocal preferential market access trade arrangements that are being eroded. In the absence of such preferences, Barbados' agricultural exports would be effectively denied market access, outside of Caricom, due to very high tariff peaks applied by many countries to restrict imports of primary agricultural products.

Moreover, in the absence of preferential access the potential for Barbados to export processed agricultural products, outside of Caricom, would be precluded by tariff escalation in many countries that apply an even higher MFN tariff rate against imports of processed agricultural products compared to tariff rates applied to imports of primary agricultural goods.

With respect to minimum market access for agricultural imports, Barbados bound tariff rate quotas for about 36 agri-food products⁶⁸ under the AoA that are to increase to 5% of base period domestic consumption for those products by the end of 2004. The same agri-food products were also made subject to the special safeguard measure⁶⁹ for agricultural products that allows Barbados to apply additional tariffs to over-quota imports in the event of an import surge beyond a trigger volume, or in the event that import prices on such agricultural products fall below a certain trigger price. Barbados notified the Committee on Agriculture under the AoA that it had not applied the special safeguard measure to any agricultural imports from 1995 through 2000.⁷⁰ However, the government announced in its 2001 Economic Statement⁷¹ that it intended to apply the special agricultural safeguard to selected oils and fats; processed meats; jams and jellies; and selected beverages.

In October of 1996 Barbados notified the Committee on Agriculture that it had not implemented the required tariff rate quotas for the agricultural products specified in its schedule of concessions because the applied average tariff rate for imports of all of these products was less than the applicable in-quota tariff rate set out in its schedule.⁷² In November of 2001 Barbados notified the Committee that a majority of the 36 tariff rate quotas for imported agricultural products were filled in 2000.⁷³

V.2 Domestic Support

Barbados did not make any reduction commitments in its schedule of concessions with respect to trade-distorting amber box domestic support. As a result, in order to comply with the requirements of the AoA domestic support provided by Barbados in connection with agriculture must be of the non-trade distorting green box variety; or, to the extent that Barbados uses any trade-distorting domestic support, it must come within the *de minimis* exemption level of not more than 10% of the value of particular agricultural products for specific amber box domestic support, or not more than 10% of the value of all agricultural production for non-specific amber box domestic support. Barbados would also be able to use trade-distorting domestic support measures to assist agriculture provided that it constitutes blue box or product-limiting support, or provided that it comes within the agricultural development program exemptions offered by way of special and differential treatment accorded to developing countries.

In October of 2001, Barbados notified the Committee on Agriculture of the domestic support it had provided to agriculture for the financial years 1995/1996 through 1998/1999.⁷⁴ The level of domestic support provided in financial year 1999/2000 was reported to the Committee in November of 2001.⁷⁵

Those reports indicated that Barbados had provided non-trade distorting or green box domestic support in the form of a variety of general government services. The reports also indicated that Barbados had provided trade-distorting or amber box domestic support in the form of investment subsidies that were generally available to Barbadian producers, and input subsidies generally available to low-income or resource poor producers, that are exempt from reduction commitments.

For the financial year 1999/2000 Barbados reported to the Committee on Agriculture that it spent almost BDS\$50 million on green box or non-trade distorting domestic support and about BDS\$13.3 million on exempt trade-distorting amber box

domestic support. For comparison purposes, the maximum allowable level of trade-distorting or amber box domestic support for the United States is currently capped at US\$19.1 billion relative to about 2 million farmers, compared to a cap of about US\$60 billion for the European Union relative to more than 7 million farmers. The maximum allowable level of trade-distorting domestic support for Japan is currently capped at about US\$30 billion.⁷⁶

Quite clearly, Barbados is subject to significant fiscal constraints compared to the treasuries of developed countries and must spend its public funds wisely in an effort to effectively assist the domestic agriculture industry.

V.3 Export Subsidies

Barbados did not maintain in its schedule of concessions the right to use listed export subsidies in respect of any of its agricultural products. As a result, Barbados is not able to use such subsidies to promote agricultural exports unless the subsidies come within the developing country exemption with respect to export subsidies that reduce the cost of marketing or that reduce the cost of domestic and international transportation of agricultural exports.

By virtue of various notifications to the Committee on Agriculture under the AoA Barbados reported that no export subsidies were provided to agricultural products for the years 1995 through 2000.⁷⁷

In its 2001 Economic Statement⁷⁸ the government announced that it intends to provide financial assistance to promote the export of agricultural products. In that regard, Barbados announced that it planned to offer a rebate of 30% up to a maximum of BDS\$10,000. a year for each exporter to defray the cost of international transport and freight in connection with the export of certain agricultural products. The government also announced a technical assistance fund of BDS\$250,000. to assist producers and marketers to conduct feasibility studies, access new technology and implement quality

assurance programs related to the export of agricultural products. Producers and marketers that seek the benefit of such funds will be required to meet 25% of the cost of the eligible programs.

In its 2002 Economic Statement⁷⁹ the government announced that it will establish an Export Development Fund, initially capitalized at BDS\$500,000., to support the development of agricultural exports.

V.4 Sanitary and Phytosanitary Measures

Plant, pest and disease control legislation requires that permission in the form of an import permit must be first obtained to import new plants and related products into Barbados. Phytosanitary certificates issued by the appropriate authority of the country of export are required to accompany all imports of fresh fruit, vegetables and plants.

Barbados law prescribes a positive list of countries that are eligible to export certain livestock, poultry and meat to Barbados. A country that would like to export such agricultural products to Barbados, and that is not on the prescribed list, must first approach the government and seek an amendment to the list of eligible countries.

The export of certain livestock from eligible countries requires that a sanitary certificate be issued by the appropriate authority of the country of export. In the case of live poultry exports from an eligible country, a permit issued by the Barbados Senior Veterinary Officer is required in addition to the sanitary certificate. Imports of meat into Barbados, including poultry meat, may be made directly from prescribed countries provided that an import permit is first granted by the Senior Veterinary Officer.

In November of 2001 Barbados notified the Committee on SPS Measures under the SPS Agreement of a ban on imports of certain livestock products from Uruguay due to foot and mouth disease outbreaks.⁸⁰ This is the only notification of emergency measures made by Barbados under the SPS Agreement.

Food products imported into Barbados are required to have labels that indicate the name and quantity of the product, the various ingredients and relative percentages used in the manufacture of the product, and the country of origin.

The current legislation does not appear to disclose in a transparent manner the application of internationally recognized standards, or the application of internationally recognized risk assessment in food hygiene control practices.⁸¹

V.5 Food Security

High tariff rates used by developed countries, combined with high levels of domestic support and high levels of export subsidies to assist agriculture, challenge food security for net food-importing developing countries such as Barbados.

The total level of support provided to agriculture in wealthy OECD countries is close to US\$1 billion every day, and represents an amount that is more than four times the level of annual development assistance that is provided to the world's poor nations.⁸²

Most developing countries recognize that liberalized trade through progressively open markets is a positive strategy to achieve sustainable economic growth and development. However, they also recognize that trade policy that obliges them to progressively open their markets to agricultural imports from developed countries at heavily subsidized low prices is a counterproductive strategy that is contrary to sustainable economic growth and development for developing countries. Such a strategy effectively precludes access for developing country agricultural products to attractive markets in more developed countries and at the same time destabilizes developing countries' domestic markets.

VI. DOHA ROUND NEGOTIATIONS

The AoA required that new negotiations to further liberalize trade in agriculture were to begin in March of 2000. The mandate of the negotiations was to continue the reform process by taking into account certain factors that include non-trade concerns, special and differential treatment to developing countries, the objective to establish a fair and market-oriented agricultural trading system, and the objectives and concerns mentioned in the preamble of the AoA.

The preamble of the AoA reiterates that commitments under the reform program should be made in an equitable way among all members with regard being given to non-trade concerns, including food security and environmental protection; the agreement that special and differential treatment for developing countries is an integral element of the negotiations; and the requirement to take into account the possible negative effects of the reform program on least-developed and net food-importing developing countries.

In November of 2001 the WTO Ministerial Conference agreed to launch a new round of global trade talks. The new round of multilateral trade negotiations has been labeled the DOHA Development Agenda in recognition of the WTO's commitment to economic growth and reduction of poverty in developing countries.

With respect to agriculture, the DOHA Development Agenda commits WTO members to comprehensive negotiations aimed at:

- substantial improvements in market access;
- reductions of, with a view to phasing out, all forms of export subsidies; and
- substantial reductions in trade-distorting domestic support.

The DOHA mandate also reflects the agreement of WTO members that:

“...special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development.”

Modalities for the further commitments, including special and differential treatment for developing countries, were to be established by March 31, 2003 in preparation for the fifth Ministerial Conference in Cancun, Mexico in September 2003. “Modalities” is the word applied to describe the scope and approach to be used in the negotiations as well as the outcome members agree to pursue. Unfortunately, modalities for the agricultural negotiations were not achieved by the March 31, 2003 deadline.

The Chair of the agricultural negotiations, Stuart Harbinson, circulated an overview paper on December 18, 2002 that broadly defines the outstanding issues to include:

- significant differences with regard to the scope of the DOHA mandate;
- different levels of detail in the various proposals;
- differences among the various developing countries with respect to special and differential treatment;
- graduated treatment of certain developing countries;
- role of non-trade concerns in the negotiations; and
- linkages between the agriculture negotiations and progress in other areas such as services.

A brief overview of the agriculture negotiations is outlined below.

VI.1 Market Access

The Cairns Group⁸³ of agricultural export countries, the United States and the Like-minded Group⁸⁴ (LM) of developing countries would reduce average agricultural tariffs from 62% to 15% over five years, with a maximum tariff for any specific agricultural product of 25%.

By contrast, the European Union, Japan, Norway, Switzerland, Korea, Mauritius and India propose average agricultural tariff reductions of 36% with a minimum reduction of 15% for each agricultural product. Unlike the Cairns' proposal the European Union approach allows flexibility for countries to maintain high tariff peaks and tariff escalation, and still be able to meet their reduction commitments.

The LM group proposes that developing countries be allowed to exempt key agricultural products from new reduction commitments and be able to renegotiate their bound agricultural tariffs to facilitate food security and rural development concerns.

With respect to quotas, the Cairns group and the United States would like to increase the minimum access requirements or expand the tariff rate quotas, while other countries most notably Japan and Korea propose to reduce minimum access quotas for certain products.

With respect to safeguards, the LM group proposes to replace the current special agriculture safeguard provision with a new measure that would only be available to developing countries, in view of the limited availability and utility of the current agriculture safeguard mechanism.

VI.2 Domestic Support

With respect to green box domestic support, that is defined to be at most of minimum trade distortion, the European Union, Japan, Korea, Norway, Switzerland and Mauritius have proposed that green box measures be expanded to include domestic support designed to address non-trade concerns such as environmental protection, rural development and food security. In that regard, many developing countries, including Barbados, propose greater domestic support flexibility to address development and food security concerns.

The Cairns group views the European Union approach as a means to add new levels of trade-distorting support to the protected green box category. In view of the high levels of green box domestic support that is already provided by developed countries, the Cairns group proposes to tighten-up the definition of green box measures considered to be non-trade distorting domestic support and to impose a cap on the maximum level of green box measures that can be spent on agriculture in any year.

With respect to amber box or trade-distorting domestic support, the Cairns group, the United States and other members propose that developed countries be limited to *de minimis* levels of support equal to 5% of agricultural production over a suitable phase-in period, followed by eventual elimination of trade-distorting domestic support altogether. The Cairns group, except Canada, proposed that an initial down-payment reduction in amber box domestic support of 50% be immediately implemented. The Cairns group, United States and other members also propose elimination of the blue box exemption that is currently available for certain production-limiting programs.

In contrast, the European Union and other members propose that trade-distorting or amber box domestic support be reduced by 55% over a suitable transition period. The European Union proposal relies upon the DOHA mandate that calls for substantial reductions in trade-distorting domestic support, and not the complete elimination of amber box measures.

Some members also question whether the current system of reduction commitments for trade-distorting domestic support, based on a total aggregate measurement of support, should be disaggregated and new reduction commitments negotiated on a product specific basis.

VI.3 Export Subsidies

The Cairns group, along with the support of many non-Cairns developing countries, propose to eliminate export subsidies over three years for developed countries and over six years for developing countries, with an initial downpayment reduction of 50%. The LM group has called for exemptions from these commitments for developing countries.

With respect to export credits, the Cairns group and the United States propose that a determination be made of which types of export credit are made on commercial terms and that non-commercial export credits be then prohibited. In contrast, the European Union, Norway and Switzerland propose that the use of export credit on commercial terms be unrestricted and that non-commercial export credits be subject to the same reduction commitments as applied to the listed export subsidies.

VI.4 Special and Differential Treatment

There appears to be a fairly broad consensus that developing countries are to be allowed lower levels of commitments and longer transition periods, while least-developed countries should continue to be exempted from any reduction commitment.

The LM group has proposed that the developing country exemptions from trade-distorting domestic support reduction commitments be maintained and eventually expanded.

Finally, Bulgaria has proposed that special and differential treatment for developing countries be based upon criteria related to level of development and need, such as per capita income. This “graduation” approach to developing countries is also generally supported by the EU.

VI.5 Barbados and the DOHA Agenda

Barbados fully supports trade liberalization, and in particular the DOHA Agenda provided that its structural challenges as a small island developing country (SID) are addressed in the negotiations.

In particular, Barbados seeks to secure special and differential treatment in a manner that includes:

- security of access for agricultural products that Barbados is able to produce on a commercial basis;
- improvement in non-reciprocal preferential tariff access that is to be then bound under the AoA to ensure that trade opportunities are not undermined by the reform program;
- relief granted from the “substantially all the trade” provision of Article XXIV of the GATT when a free trade agreement or customs union is established between a SID and a developed country;
- market access opportunities under the AoA that ensure that duty-free minimum access quotas are provided to Barbados and other SIDs;
- special agricultural safeguard provisions be available to developing countries, and in particular least-developed countries and net food-importing developing countries;
- implementation of the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries should be made enforceable under the AoA;

- provision for Barbados and other SIDs which undertook autonomous liberalization in agriculture to be exempt from further reduction commitments on domestic support and protection, allowed a higher level of *de minimis* domestic support, and be allowed to renegotiate market access commitments under the AoA;
- flexibility to assist various business and sectors, in particular those that are strategically important to Barbados' economic development and that are in difficulty as a result of trade liberalization, such as agriculture;
- maintain and expand developing country exemptions from amber box or trade-distorting domestic support for agricultural products;
- maintain and expand developing country exemptions from export subsidies to cover all activities taken to promote and market exports of Barbados' agricultural products;
- provision of adequate transitional periods to implement liberalization arrangements in agriculture;
- reduction of the burdens on developing countries with respect to non-tariff barriers imposed by developed countries that include onerous sanitary and phytosanitary measures and technical standards;
- technical assistance and financial resources to help prepare for and assist in the implementation of the reform program in agriculture; and
- establishment of thresholds of international trade that must be met before action can be taken against agricultural support and protection measures by developing countries.

VI.6 DOHA Agenda Prognosis

To date efforts by Stuart Harbinson to narrow significant differences between WTO members in the agricultural negotiations has not been successful.

Undoubtedly, a positive outcome to the agriculture negotiations under the DOHA Development Agenda is essential to a successful conclusion to the DOHA Round. Leadership is required on the part of the United States and the European Union to succeed in the agriculture negotiations, and overall to successfully complete the Round. It is vital that the European Union and the United States not allow their transatlantic differences to further fuel protectionist policies and undermine the DOHA Development Agenda. Such a result would hurt developing and developed countries alike and could threaten global economic recovery.

For Barbados, and other developing countries, failure to make progress in the agricultural negotiations at the WTO may well mean:

- that their agricultural products will be undermined at home and in export markets by low-priced products supported by massive subsidies and tariff protection;
- the bleak prospect of competing against almost US\$1 billion in daily subsidies from developed countries;
- a lost opportunity to secure substantial agricultural trade reform through the DOHA Round; and
- collapse of the DOHA Round and with it a lost opportunity to pursue sustainable economic growth and development through trade liberalization.

VII. THE ROAD AHEAD

In the 2001 Economic Statement Barbados identified two strategic objectives for the country:

- stimulate economic activity in the short term so that the country can return to a 3% real growth path as soon as possible; and

- continue to devise and implement new fiscal, sectoral, human resource development, capacity building, institutional reform, and productivity enhancement measures necessary to make the economy more competitive in the context of regional, hemispheric and global economies, as they are likely to evolve.⁸⁵

Faced with limited resources the government intends to focus on the creation of a stable and dynamic economic environment in which Barbadian entrepreneurial spirit can be further developed and flourish, and in turn drive economic growth and new export opportunities.

The necessary foundation for a stable and dynamic economic environment would seem to mean that the government intends to invest in improvements to necessary infrastructure and other public goods; and in particular, to invest in the development of Barbados' most important resources – its human capital – to encourage and develop local entrepreneurs and provide them with the necessary tools to succeed.

The necessary foundation for a stable and dynamic economic environment would also seem to mean that the government intends to invest in smart regulation which is designed to create a regulatory environment that encourages and protects capital investments. Capital does not necessarily flow to the environment with the lowest regulatory common denominator, but to the environment where an investor can receive the highest rate of return with the least amount of risk – smart regulation. Smart regulation requires investment in the development and enhancement of institutional and human technical capacity, and the implementation of regulatory “best practices” that enables Barbados to use smart and effective regulation as a competitive advantage. Finally, there is a recognized need by the government to promote and facilitate business linkages on a regional and global basis, and to reduce the cost to reposition resources. Where does agriculture fit in this dynamic?

In the 2002 Economic Statement the government has identified agriculture as too vital to the Barbadian way of life for the country to lose faith in it or to allow it to

vanish.⁸⁶ Agriculture is considered to have “public good” dimensions or public benefits, worthy of government investment and support, that would not necessarily be factored into private economic decisions. In that regard, Barbadian agriculture is recognized by the government to be significant in relation to non-trade concerns such as food security, rural development and environmental protection.

The challenge for Barbados is to continue to devise and implement a plan for agriculture, against the backdrop of a stable and dynamic economic environment, that can overcome the structural challenges faced by the industry, and allow the sector to play a role that is viable and addresses the public good aspects or non-trade concerns associated with agriculture.

There are no easy answers or immediate recipes for success. In that regard, Barbados is a high cost location and would not seem to be currently competitive with respect to trade in primary agricultural products. If agriculture is to play a viable role in Barbados, it would seem that agriculture value-added needs to be developed and enhanced, beyond primary products, in the area of secondary and higher-end processed agricultural products; and production costs need to be reduced and productivity increased; all in an effort to overcome or manage the structural challenges faced by Barbados.

The development of secondary and higher-end processed agricultural production in Barbados would first seem to require the creation or evolution of a niche market for such products, and the establishment of market “brands” that enable product differentiation. Product differentiation facilitates competition on the basis of quality and other product characteristics, rather than competition on the basis of price. The development of niche markets for Barbadian “branded” high-end agricultural products that avoid price competition and compete on quality and other product characteristics allows such products to command higher prices in the marketplace and manage the higher costs of production.

The development of niche markets and product branding should build on the uniqueness and strengths of Barbados, and be logical extensions or complements of what Barbados already does well and of the synergies that already exist. In that regard, and by way of example only, Barbados focuses on the high-end tourist market that is not particularly price sensitive. The high-end tourist sector brings to Barbados a ready-made market opportunity to develop and brand high-end agricultural processed products for people who want a “taste” of Barbados, or to be reminded of the joys and pleasures of Barbados, after they have returned home, and who would seem to be prepared to pay a premium price for such products. Tourists who return to their homes around the world are the start of an export demand for such niche products. There are already examples of Barbadian success with such an approach including Native Treasures that produces a range of Caribbean gourmet sauces, jams and condiments that are exported to England and the United States, and have recently been introduced to Japan.⁸⁷ Other possibilities may include development of sea island cotton products and black belly sheep products.

There are a number of challenges to the implementation of such a strategy. A constant and consistent supply of high quality, primary agriculture products needs to be secured to support secondary and high-end processing of agricultural products in the country. In that regard, in the last several years production in certain agricultural sectors has declined and is not able to meet local demand. The government has taken initiatives to address this challenge by the introduction of a land use policy that is intended to ensure that land is available for agriculture purposes, and that agricultural land that is not under cultivation is brought into production. The government has also introduced incentives to encourage an increase in local agricultural production to ensure a constant and consistent supply of primary agricultural goods.

In an effort to lay the groundwork for the potential of high-end niche markets and product branding by local entrepreneurs, the government has also implemented the 100% Bajan Campaign to increase awareness of Barbadian products and to stimulate demand for those products. The government needs to continue to develop, promote and

encourage the entrepreneurial spirit of Barbadians to pursue these potential market opportunities.

To promote cost reduction and improved productivity, the government has encouraged the rationalization and improvement of agricultural processing facilities. Productivity improvements are also being facilitated by the encouragement of business linkages on a regional basis through Caricom and the CSME initiative to allow for the possibility of economies of scale and reduction of overhead costs.

The type of evolution generally outlined does not happen overnight – it takes time and good fortune.

From a trade perspective, the government needs to ensure from the DOHA Round and other trade negotiations that it will have available to it the policy tools and necessary flexibility that can best facilitate achievement of the country's strategic objectives for agriculture.

If past experience is any indication of the future, Barbadians will deftly manage their challenges and thrive.

Allan H. Turnbull
Baker & McKenzie
181 Bay Street, P.O. Box 874, Suite 2100
Toronto, Ontario M5J 2T3
Tel: (416) 865-6923 Fax: (416) 863-6275
E-mail: allan.h.turnbull@bakernet.com

¹ United Nations Development Programme. Human Development Reports, 2002. Barbados.

² The World Bank Group. Barbados at a Glance. September 23, 2002.

³ See footnote 1.

⁴ Ibid.

⁵ The World Bank Group. Barbados Data Profile.

⁶ See footnote 2.

⁷ Ibid.

⁸ WTO Trade Policy Review. WT/TPR/G/101, p. 11.

⁹ Ibid.

¹⁰ WTO Trade Policy Review. WT/TPR/S/101, Table I.1, p. 4

¹¹ The World Bank Group. Barbados Country Brief, p. 2.

¹² The Barbados Advocate, Business Monday, January 6, 2003, p. 11.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ See footnote 10, p. 70.

¹⁷ See footnote 5.

¹⁸ WTO Committee on Agriculture, Special Session. Proposals by Small Island Developing States. G/AG/NG/W/97, p. 2.

¹⁹ Ibid.

²⁰ Ibid.

²¹ <http://barbados.gov.bb/bgis/business/econ.htm>, p. 2

²² See footnote 10, p. 66.

²³ See footnote 21.

²⁴ Government of Barbados. 2002 Financial Statement, p.34.

²⁵ See footnote 10, p. 67.

²⁶ See footnote 21, p. 3.

²⁷ Ibid, p. 2.

²⁸ Ibid, p. 2.

²⁹ See footnote 10, p. 71.

³⁰ Ibid.

³¹ See footnote 21, p. 3.

³² See footnote 10, p. 71.

³³ See footnote 10, p. 34.

³⁴ Ibid, p. 41.

³⁵ Ibid.

³⁶ WTO Working Party on State Trading Enterprises, May 29, 1996. G/STR/N/1/BRB.

³⁷ See footnote 24, p. 31. See also footnote 12, p. 10.

³⁸ See footnote 24, p. 32.

³⁹ Government of Barbados. 2001 Financial Statement, pp. 51 and 52.

⁴⁰ AoA, Article 2 and Annex 1.

⁴¹ AoA, Article 4.2

⁴² AoA, Article 5.

⁴³ AoA, Article 4.2 and Annex 5.

⁴⁴ AoA, Annex 2.

⁴⁵ AoA, Article 6.4.

⁴⁶ AoA, Article 6.5

⁴⁷ AoA, Article 6.2.

⁴⁸ GATT, Article XVI.3.

⁴⁹ AoA, Article 9.1.

⁵⁰ AoA, Article 9.2(b).

⁵¹ AoA, Article 10.1.

⁵² AoA, Article 10.4.

⁵³ AoA, Article 10.2.

⁵⁴ GATT, Article XI.2(a).

⁵⁵ AoA, Article 12.

⁵⁶ AoA, Article 13.

⁵⁷ GATT. Article XX(b).

⁵⁸ SPS Agreement, Article 2.1.

⁵⁹ SPS Agreement, Article 2.2.

⁶⁰ SPS Agreement, Article 3.2.

⁶¹ SPS Agreement, Article 3.3.

⁶² SPS Agreement, Article 5.2.

⁶³ SPS Agreement, Article 5.3.

⁶⁴ SPS Agreement, Article 4.

⁶⁵ SPS Agreement, Article 10.

⁶⁶ Barbados' MFN tariffs on fish and fish products are unbound and can be increased.

⁶⁷ Barbados' Schedule of Concessions.

⁶⁸ Ibid.

⁶⁹ Ibid.

⁷⁰ Committee on Agriculture. G/AG/N/BRB/2; G/AG/N/BRB/5; and G/AG/N/BRB/9.

⁷¹ See footnote 39, p. 42.

⁷² Committee on Agriculture. G/AG/N/BRB/1.

⁷³ Committee on Agriculture. G/AG/N/BRB/8. See also G/AG/N/BRB/6.

⁷⁴ Committee on Agriculture. G/AG/N/BRB/7.

⁷⁵ Committee on Agriculture. G/AG/N/BRB/11.

⁷⁶ The US\$ equivalent of the maximum bound levels of trade-distorting domestic support for the European Union and Japan is sensitive to exchange rate fluctuations and provide orders of magnitude for comparison purposes only.

⁷⁷ Committee on Agriculture. G/AG/N/BRB/3; G/AG/N/BRB/4; and G/AG/N/BRB/10.

⁷⁸ See footnote 39, p. 29.

⁷⁹ See footnote 24, p. 37.

⁸⁰ Committee on Sanitary and Phytosanitary Measures. G/SPS/N/BRB/1.

⁸¹ We understand that new legislation is being developed to address these matters.

⁸² The Honourable Sergio Marchi, Ambassador, Permanent Representative of Canada to the Office of the United Nations at Geneva, and to the World Trade Organization, Speech, March 6, 2003, Johannesburg, South Africa.

⁸³ The Cairns Group of agricultural export countries are committed to a market oriented trading system for agricultural products and is comprised of Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay.

⁸⁴ The Like-minded Group of developing countries is normally comprised of Cuba, Dominican Republic, El Salvador, Haiti, Honduras, Kenya, Pakistan, Sri Lanka, Uganda and Zimbabwe.

⁸⁵ See footnote 39, p. 12.

⁸⁶ See footnote 24, p. 30.

⁸⁷ See footnote 12, p. 8.