

The WTO and the Indian poultry industry

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Key to symbols used in tables

- n.a. not applicable
- .. not available
- zero
- . insignificant

Abbreviations

AMS	aggregate measure of support	NPDB	National Poultry Development Board
AoA	Agreement on Agriculture		
AUD	Australian dollar	NTB	non-tariff barrier
BCD	Basic Custom Duty	OGL	open general licence
EC	European Commission	QR	quantitative restriction
EU	European Union	SCD	Special Customs Duty
EUR	euro	SDR	Special Drawing Right of the IMF
GATT	General Agreement on Tariffs and Trade	SPS	sanitary and phytosanitary
HS	harmonised system	SSP	special safeguard protection
MFN	most-favoured nation	TBT	technical barriers to trade
NABARD	National Bank for Agricultural and Rural Development	TQR	tariff quota regime
NCDC	National Co-operative Development Corporation	UNDP	United Nations Development Programme

The WTO and the Indian poultry industry

During the post-Independence era, India followed a protectionist policy and adopted various measures—both tariff and non-tariff (the latter sometimes also known as quantitative restrictions or non-tariff barriers)—in order to achieve its development goals. Since the early 1990s, however, the Indian economy has been subjected to constant reform, with the government shifting from its inward-oriented economic policies of the past to more outward-looking policies involving integration of the domestic economy with the world economy through deregulation and competition.

Before the reform period, India's trade policy regime was complex and cumbersome, with many different types of importers, import licences and ways of importing. Agricultural imports, including poultry items, were subject to licensing, carried out on the recommendation of various government departments. This protectionist environment, which the Indian poultry industry enjoyed for many years, is now being dismantled, and the government has placed the entire range of poultry products in the open general licence (OGL) category, also called the 'free list'.

This paper describes the salient features of the Indian poultry industry, analyses the dismantling of the protection regime, makes comparisons with and draw lessons from the poultry industries of other countries and makes some broad policy recommendations for the Indian poultry industry.

The Indian poultry industry

Among the various activities in the Indian livestock sector, poultry farming is the fastest growing. What started as a novelty in the 1970s—egg and broiler production—has become a highly organised agribusiness with estimated capital investment of 100 billion rupees, contributing 110 billion rupees to India's gross national product (GNP) and employing around 1.5 million people, mostly in rural areas. In 1999, India produced 34 billion eggs, 700 million broilers and about 500,000 tonnes of poultry meat (Table 1 and Figure 1).

Poultry meat production has increased not only in volume but also in market share in total meat production, developing from the smallest meat sector in 1977 into the third largest in 1998, after veal and buffalo (Table 2).

One of the Indian poultry industry's most salient features is that it is highly fragmented. There are several thousand independent poultry producers, little or no promotion of brands, and significant variations in poultry industry development across regions. The four southern states—Andhra Pradesh, Karnataka, Kerala and Tamil Nadu—account for about 45 per cent of the country's egg production, with an annual per capita consumption of 57 eggs and 0.5 kg of broiler meat. The eastern and central regions account for about 20 per cent of egg production and have a per capita consumption of 18 eggs and 0.13 kg of broiler meat, while the northern and western regions record much higher figures than these (Table 3).

Significance to the national economy

Poultry is of much greater significance to the Indian economy than is commonly realised, as evidenced by four of its functions. First, poultry is an efficient converter of two fibrous feedstuffs—maize and soybeans—into highly nutritious animal protein feed. Second, poultry litter, accumulated over a period of 9–12 months, is an excellent organic fertiliser that contains

4.8 per cent nitrogen, 2.8 per cent phosphorous and 2.3 per cent potash. Approximately 40 birds, kept on deep litter for about a year, can produce one tonne of manure, enough to fertilise one hectare of paddy or maize, or two hectares of sorghum, or half a hectare of intensively cultivated vegetables.

Third, since poultry farming is labour intensive, requires minimum capital and provides quick returns, it has enormous potential to improve the socioeconomic conditions of the rural population. It is estimated that an increase in egg consumption of one egg per head can lead to the creation of as many as 25,000 additional jobs, and an increase in chicken meat consumption of 50 grams per head to the creation of 20,000 additional jobs. Thus the poultry industry has tremendous potential to create non-farm employment and check migration from rural to urban areas.

Table 1 **Growth of the Indian poultry industry, 1991–99**

	1991	1999
Total egg production (millions)	22,743	34,000
Total layer population (millions)	125	133
Per capita egg consumption (number)	25	36
Per capita poultry meat consumption (kg)	-	0.70

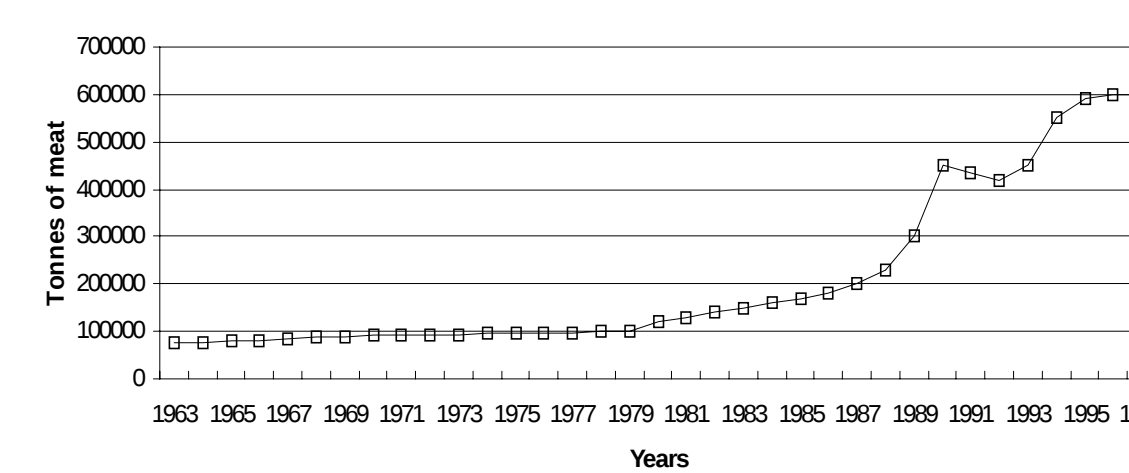
Source: *Poultry Times of India*, various issues.

Table 2 **Market shares of various meats in Indian meat production, 1978–98 (per cent)**

	Beef and veal	Buffalo	Lamb	Goat	Pork	Poultry
1978	34	34	6	12	10	4
1988	33	32	5	13	10	7
1998	31	31	4	10	10	13

Source: Hofman, P. and Kerkwijk, E., 1999. ‘Integrated Poultry’, *Poultry Times of India*, June.

Figure 1 **Poultry meat production in India, 1963–97**



Source: Hofman, P. and Kerkwijk, E., 1999. ‘Integrated Poultry’, *Poultry Times of India*, June.

Fourth, with its strong agrarian base, India is one of the most economical sites in the world for poultry production and therefore potentially a very successful exporter of poultry products. Currently India's shares in world poultry production and trade are small (Table 4), but continuing globalisation should make it possible for the Indian poultry industry to fully develop its potential in this respect.

National policy

The Indian government has acknowledged the growing importance to the economy of poultry and eggs in recent five-year plans. In the eighth five-year plan (1992–97), poultry farming was highlighted as a growth area, with expected growth of 18–20 per cent during the plan period. Priority was given to the development of poultry farming on a cooperative basis in order to help small rural farmers. Other focus points were the strengthening of infrastructure, training, and

Table 3 **Egg production in Indian states, 1996** (million eggs)

State	Production (million eggs)	State	Production (million eggs)
Andaman and Nicobar	67	Madhya Pradesh	1,130
Andhra Pradesh	4,700	Maharashtra	3,417
Arunachal Pradesh	34	Manipur	164
Assam	640	Meghalaya	90
Bihar	1,498	Mizoram	3
Chandigarh	38	Nagaland	47
Dadra and Nagar Haveli	6	Orissa	800
Daman and Diu	2	Pondicherry	15
Delhi	60	Punjab	2,670
Goa	92	Rajasthan	350
Gujarat	390	Sikkim	19
Haryana	400	Tamil Nadu	2,690
Himachal Pradesh	70	Tripura	44
Karnataka	1,820	Uttar Pradesh	2,500
Kerala	2,600	West Bengal	3,000
Lakshadweep	6	All India	29,632

Source: *The Indian Express*, 6 May 1999.

Table 4 **India's poultry industry in the world, 1998**

World poultry production	5,491,600 tonnes
Indian poultry production	59,500 tonnes
Share in world production	1 per cent
World poultry exports	5,750,000 tonnes
Indian poultry exports	407 tonnes
Share in world total	0.007 per cent

Notes: The main producing countries are the United States (27 per cent), China (21 per cent), the European Union (15 per cent) and Brazil (8 per cent); the main exporting countries are the United States (44 per cent), the European Union (14 per cent) and Brazil (10 per cent); and the main importing countries are Hong Kong (17 per cent) and China (15 per cent).

Source: *Poultry Times of India*, June 1999.

research and development. To ensure easy access to vital facilities such as inputs, credit and marketing, a number of poultry estates are being set up in collaboration with agencies such as the National Co-operative Development Corporation (NCDC), the National Bank for Agricultural and Rural Development (NABARD), state governments and non-government institutions. The poultry industry itself has asked for the establishment of a National Poultry Development Board (NPDB) to promote and coordinate various activities related to the industry, such as infrastructure creation, centralisation of the procurement and distribution of poultry ingredients, and advertising and other promotional work both in India and abroad. To stimulate investment in the poultry industry, the Indian government has lifted restrictions on investment in the poultry feed sector and begun phasing out import restrictions on poultry products.

Problems faced by the poultry industry

The Indian poultry industry currently faces a number of problems. First, there is a severe shortage of its major feedstuff, maize.¹ Feed costs amount to nearly 75 per cent of the total costs of production of eggs and broilers, and maize accounts for 50 per cent of all feedstuffs, so even a small increase in the price of maize can wipe out profits. Between 1997/98 and 1998/99, the price of maize rose from 4,500 rupees (\$120) to 7,500 rupees (\$165) per tonne, an increase of 40 per cent. The steep increase in the price of this major feedstuff has forced thousands of small farmers to suspend and even close down their poultry operations. If the growth of the poultry industry is to be sustained at 10 per cent for eggs and 15 per cent for broilers, the availability of maize must be increased.

Second, infrastructure required by the poultry industry for storage, distribution, marketing and export is lacking. An acute shortage of refrigerated road transport and a lack of an efficient cold chain are currently making widespread distribution difficult and expensive. Further, India does not have a proper testing system, hence residues from pesticide, antibiotics and hormones tend to cause problems for exporters.

Third, although poultry is recognised as an integral part of the entire agricultural sector, it is subject to restrictions on the use of agricultural land, attracts higher electricity tariffs and sales tax than other agricultural industries, and is subject to different land and labour laws than other agricultural industries, including the minimum wage act.

While these traditional sorts of economic problem have yet to be solved, already new problems have arisen, foremost among them the government's reported plan to open up the domestic poultry sector for import competition. For years, the domestic poultry sector remained protected, with imports of poultry products subject to quantitative restrictions (QRs) and licensing. Processed poultry meat preparations and egg products currently attract an effective import duty of 35 per cent of basic customs duty, and chicken cut-ups (HS 0207.13 and 0207.14) and certain preparations (HS 1602.32 and 1602.39) attract an even higher duty of 100 per cent of basic customs duty. Although import duty has increased in the last two years, QRs remained in force up until April 2001.

Trade liberalisation and the WTO

This section aims to analyse changes in estimates of Indian levels of protection with respect to tariff structure and QRs in the 1990s. For the purpose of quantifying changes due to import custom duty, emphasis is placed on the 'nominal rate of protection' measure. The estimates

are made using most favoured nation (MFN) tariff rates, as occasionally announced by the Indian government. The average values of these MFN tariff rates have been calculated for the total economy.

Table 5 summarises indicators of tariff liberalisation in India from 1993/94 to 2001/02: import-weighted average MFN tariff rate; simple average; MFN tariff rate; collection rate; and peak rate. It can be seen that the average rate of Indian MFN custom tariff has declined since the adoption of the reform process in the early 1990s. The average MFN custom duty rate also declined significantly—from more than 80 per cent in the early 1990s to 30 per cent in the mid 1990s. From 1997/98 onwards, however, there has been no significant change in average custom tariff rates. The decline in import-weighted average customs rates was almost negligible in 1998/99 and 1999/00, while the average tariff rate actually increased slightly during 2000/01. The tariff changes proposed in the 2001/02 budget led to a marginal decline in import-weighted average custom tariff rate—from 31.1 per cent in 2000/01 to 28.9 per cent in 2001/02. The average tariff rate was likely more than 28.9 per cent, however, since the tariff rates of certain commodities (particularly agricultural products) may have been enhanced.

In the early and mid 1990s, there was also a decline in the peak tariff of custom duty rates, though not for beverages and certain agricultural commodities, which had ‘mega tariff’. This was a significant decline—from more than 100 per cent during the early 1990s to around 42 per cent in 1996/97. The late 1990s, however, saw no significant change in peak tariff rates, nor was a change suggested in budget proposals made for 2001/2. Thus India needs to accelerate its tariff liberalisation if it is to reach a peak tariff rate of 20 per cent within the next three years, as announced in the budget of 2001/02. A medium-term strategy must be devised to bring India’s custom tariff rates to the levels of those of East Asian countries, which have reduced their tariff rates significantly in recent years. The average MFN rate in selected ASEAN countries was around 0 per cent for Singapore (during 2000), 11.2 per cent for Indonesia (1999), 10.2 per cent for Malaysia (1999), 10 per cent for the Philippines (1999), and 16.94 per cent for Thailand (1999). It is expected that these countries will bring their tariff rates down even further over the next three years.

As stated in the 2001/02 budget, custom tariffs will become a crucial trade policy instrument after the removal of India’s QR regime. A summary of India’s current position on QRs for imports follows.

During the pre-reform period, India’s trade policy regime was complex and cumbersome, with many different types of importers, import licences and ways of importing. Imports of almost all commodities were restricted and subject to licensing, with the exception of those that could be imported under the OGL schemes, sometimes called ‘free list’ products. During the pre-reform period, OGL commodities accounted for less than 10 per cent of all commodities.

During the post-reform period, OGL coverage was enhanced, and India consistently removed its QRs (Table 6). Although India began dismantling its QRs unilaterally in the mid 1990s, most of the QR removals of the period 1997–2001 came about during WTO dispute settlement proceedings (Mehta 2001; WTO 2000a). Furthermore, India made no significant changes to its applied rates after their levels were brought close to bound levels for industrial products.

Table 5

Average MFN tariff rates and peak tariffs of Indian economy, 1993/94–2001/02

Year	Average MFN tariff rate ^a		Collection rates ^c Gross	Peak tariff ^d
	Simple average	Import-weighted ^b		
1993/94	83.00	82.76	31.00	85.0
1994/95	61.58	56.65	30.17	65.0
1995/96	48.83	44.75	29.45	50.0
1996/97	39.26	32.70	31.32	42.0
1997/98	35.12	30.91	29.29	45.0
1998/99	35.25	30.30	22.80	45.0
1999/00	35.54	29.81	23.67	44.0
2000/01	34.62	31.15	21.29 ^e	38.5
2001/02	32.27	28.92	-	35.0

^a The average MFN tariff rate is based on Basic Custom Duty (BCD) + Special Customs Duty (SCD) or Surcharge of products defined at the 6-digit HS level, without consideration of specific exemptions of products. The SCD rate for 1996/97 was 2 per cent, and for 1997–98 and 1998–99 it was 5 per cent (2+3). The surcharge of 10 per cent was imposed during 1999/00 and 2000/01.

^b Import weights are based on the value of imports (in rupees) during the same year, at 6-digit ITC-HS classification. Import weights for the years from 1997/98 to 2001/02 are based on the values of imports for the year 1996/97.

^c Based on customs revenue value (based on all types of import duty) and value of total imports, compiled from various volumes of the Government of India's *Budget Documents* and from the Directorate General of Commercial Intelligence and Statistics.

^d Excluding certain products whose custom duty lies within the range of 'mega tariff'.

^e Based on revised budget document estimates, and assuming increases in total imports of 14.2 per cent during 2000/01.

Note: For certain products, import custom duties are defined as specific duties, and these specific duties have been converted here into ad valorem equivalence.

Sources: Goldar, B.N. and Mehta, R., 2001. 'The budget and customs duties', *Economic and Political Weekly*:989–91; Government of India (GOI), Directorate General of Commercial Intelligence and Statistics (DGCIS), n.d. *Monthly Statistics of Foreign Trade of India*, Vol. II (imports), various issues, Ministry of Commerce, New Delhi; Government of India, Central Board of Excise and Customs (CBEC), n.d. *Custom Tariff of India*, various issues, Ministry of Finance and Company Affairs, New Delhi; Government of India, n.d. *Budget Documents*, various issues, Ministry of Finance and Company Affairs, New Delhi, Available online at http://finmin.nic.in/topics/union_budget/index.html.

Table 6

India's imports subject to QRs, 1995–2001

Number of 'free list' lines (as percentage of total number of lines^a)

April 1995	56.00
April 1997	65.80
April 1998	70.20
April 2000	86.41
April 2001	94.37

^a At 8 or 10-digit HS level.

Sources: Mehta, R., 1997. 'Trade policy reforms, 1991/2 to 1995/6: their impact on external trade', *Economic and Political Weekly*, April:779–84; Mehta, R., 1999. *Tariff and Non-Tariff Barriers of Indian Economy: a profile*, RIS; Mehta, R., 2000. 'Removal of QRs and impact on India's imports', *Economic and Political Weekly*, 35(19); Goldar, B.N. and Mehta, R., 2001. 'The budget and customs duties', *Economic and Political Weekly*, 36(12):989–1.

Poultry product tariff rates

In 1999/00, tariff rates ranged from 15 per cent (meat and edible offal) to 40 per cent (live poultry and food preparations of poultry products). During the same financial year, the tariff rate of 'maize for use for poultry feed' was 0 per cent, but this increased to 70 per cent in budget proposals for 2000/01 (Table 7). With the introduction of the tariff quota regime (TQR), however, the tariff rate has declined to 15 per cent. All other poultry products—with the exception of four whose tariff rate was 100 per cent—attracted a tariff rate of 35 per cent during 1999/00 and 2000/01 because their QRs were removed. The government's import policy for 2000/01 and 2001/02 removes QRs from all poultry products, most of which were 'restricted items' prior to 1999/00. When these QRs have been removed, tariff rates will be the most important instrument in India's import policy. In budget proposals for 2000/01, the government announced a tariff rate of 35 per cent for all poultry sector items (as well as items of other sectors) whose QR had been removed. The reasoning behind this, if the government's intention was to maintain protection levels, would seem unsound, especially considering that the tariff equivalence for a large number of poultry products was significantly higher than 35 per cent. The government must have realised this mistake, since for two commodity groups—HS 1601.00 (sausages and similar products of meat, meat offal, and food preparations based on these products) and HS 1602.32 (other prepared or preserved poultry meat)—it subsequently increased the tariff rate from 35 per cent to 100 per cent. It also revised the tariff rates of two more poultry sector commodity groups, that is HS 0207.13 (meat and edible offal of poultry of heading No. 01.05, cuts and offal, fresh or chilled) and HS 0207.14 (meat and edible offal of poultry of heading No. 01.05, cuts and offal, frozen). We can conclude from this either that the government believes the tariff equivalence of most poultry products to be close to 35 per cent or that it wants to encourage the import of these commodity groups through trade liberalisation, however it is difficult to believe that the tariff equivalence of the HS 1601.00 and HS 1602.32 groups is 100 per cent while that of the HS 1602.39 group is 35 per cent. All these lines include a large amount of prepared and preserved meat.

During the Uruguay Round, a large number of countries set tariff bindings at fixed levels, after estimating QR tariff equivalence. Largely because a great many of India's imports were subject to QRs, India, along with many other developing countries, did this without carefully examining the implications of the action first. It can be said, therefore, that binding rates for a large number of commodities (or the tariff equivalence of a large number of QRs) are inappropriate.

Implications for the poultry sector

What effects would unfettered free trade have on India's poultry industry? So far there has been no serious discussion of this topic. On the basis of currently available information, it can be predicted that the industry would not survive. An unfettered trade regime would attract an abundance of cheap imports, causing a glut in the domestic market and unremunerative prices to local producers, who may then be forced to leave the field. The domestic industry is price competitive only in eggs, and studies have shown that in 'whole chicken' and chicken products India does not have much competitive advantage over other suppliers. For example, the price in India of domestic whole chicken is around 30–40 per cent higher than the import price of Brazilian chicken. In addition, there is not much difference among prices of different cuts of chicken in India, whereas in other countries such prices vary greatly.

Table 7 MFN tariffs and UR bound rates for poultry products, 1999–2002

Harmonised System (commodity groups)		India's import policy		Uruguay Round upper bound	
HS code ^a	HS description	1999/00 Tariff rate ^b (per cent)	2000/01 Tariff rate ^b (per cent)	2001/02 Tariff rate ^b (per cent)	final rate ^c (per cent)
01.02	Live bovine animals				
0102.10	Pure-bred breeding animals	40	35	35	100
Ex 0102.10	Cows, heifers, bulls, goats, sheep and pure-line poultry stock	5	5	5	100
0102.90	Other	40	35	35	100
Ex 0102.90	Grandparent poultry stock and donkey stallions	25	25	25	100
01.05	Live poultry: fowls of the species <i>Gallus domesticus</i>, ducks, geese, turkeys and guinea fowls				
0105.11	Fowls of the species <i>Gallus domesticus</i> weighing not more than 185g	40	35 ^d	35	100
0105.12	Turkeys weighing not more than 185g	40	35	35	100
0105.19	Other weighing not more than 185g	40	35	35	100
0105.92	Other fowls of the species <i>Gallus domesticus</i> weighing not more than 2,000g	40	35	35	100
0105.93	Other fowls of the species <i>Gallus domesticus</i> weighing more than 2,000g	40	35	35	100
0105.99	Other except those weighing not more than 185g	40	35	35	100
02.07	Meat and edible offal of poultry of heading 01.05, fresh, chilled or frozen				
0207.11	Not cut in pieces, fresh or chilled: species <i>Gallus domesticus</i>	15	35	35	100
0207.12	Not cut in pieces, frozen: species <i>Gallus domesticus</i>	15	35	35	35 ^e
0207.13	Cuts and offal, fresh or chilled: species <i>Gallus domesticus</i>	15	100	100	100
0207.14	Cuts and offal, frozen: species <i>Gallus domesticus</i>	15	100	100	100
0207.24	Not cut in pieces, fresh or chilled: turkeys	15	35	35	100
0207.25	Not cut in pieces, frozen: turkeys	15	35	35	100
0207.26	Cuts and offal, fresh or chilled: turkeys	15	35	35	100
0207.27	Cuts and offal, frozen: turkeys	15	35	35	100
0207.32	Not cut in pieces, fresh or chilled: ducks, geese or guinea fowls	15	35	35	100
0207.33	Not cut in pieces, frozen: ducks, geese or guinea fowls	15	35	35	100
Ex 0207.34	Fatty livers, fresh or chilled: ducks, geese	15	35	35	35 ^e
Ex 0207.34	Not cut in pieces, frozen: guinea fowl	15	35	35	100
0207.35	Other, fresh or chilled: ducks, geese or guinea fowls	15	35	35	100
0207.36	Other, frozen: ducks, geese or guinea fowls	15	35	35	100

04.07	Birds' eggs, in shell, fresh, preserved or cooked				
040700.01	Of the species <i>Gallus domesticus</i> and ducks for hatching	35	35	35	150
040700.02	Birds' eggs, in shell, fresh other than for hatching	35	35	35	150
040700.09	Other	35	35	35	150
04.08	Birds' eggs, not in shell, and egg yolks, fresh, dried, cooked by steaming or by boiling in water, molded, frozen or otherwise preserved, whether or not containing added sugar or other sweetening matter				
0408.11	Egg yolks: dried	35	35	35	150
0408.19	Egg yolks: other	35	35	35	150
0408.91	Other than egg yolks: dried	35	35	35	150
0408.99	Other than egg yolks: other	35	35	35	150
10.05	Maize (corn)				
10059000.1	Maize for use for poultry or animal feed	-	-	15/50	15/60 ^f
1601.00	Sausages and similar products, of meat, meat offal or blood; food preparations based on these products	-	100	100	150
16.02	Other prepared or preserved meat, meat or blood				
1602.10	Homogenised preparations	40	35	35	55 ^e
1602.20	Of liver of any animal	40	35	35	150
1602.31	Of turkeys: poultry of heading No. 01.05	40	35	35	150
1602.32	Of fowls of the species; of poultry of heading no. 01.05	40	100 ^e	100	150
1602.39	Other, of poultry of heading no. 01.05	40	35	35	150
1602.41	Of swine, hams and cuts thereof	40	35	35	55 ^e
1602.42	Of swine, shoulders and cuts thereof	40	35	35	55 ^e
1602.49	Of swine; other, including mixtures	40	35	35	150
1602.50	Of bovine animals	40	35	35	150
1602.90	Other, including preparations of blood of any animal	40	35	35	150

^a As defined by the Harmonised System of Indian Trade Classification (HS-ITC), 1999/00.

^b MFN tariff rate, defined as basic custom duty (*ad valorem*) in Indian custom classification. The various exemptions are not taken into consideration here.

^c HS Code definitions for some items were different in the year of the Uruguay Round commitments. The final bound rates are calculated after the custom classifications (HS) of the Uruguay Round negotiation period (1992) and the custom classifications (HS) of 1999/2000, 2000/01 and 2001/02 are made to correspond.

^d The basic custom duty on grand parent poultry stock is 25 per cent instead of 35 per cent.

^e Commitments for these items were made in earlier rounds.

^f India has successfully renegotiated the raising of bound import duty on a range of agricultural items, including maize, with 'principal supplying interests' like the United States, the European Union, Canada, Australia and New Zealand.

Source: WTO, 1995. *India*, Uruguay Round goods schedule, Washington, DC, Available online at http://www.wto.org/english/tratop_e/schedules_e/goods_schedules_e.htm; Government of India, Central Board of Excise and Customs (CBEC), n.d. *Custom Tariff of India*, various issues (1999/00, 2000/01, 2001/02), Ministry of Finance and Company Affairs, New Delhi; Government of India, Central Board of Excise and Customs (CBEC), 2001. *Custom Tariff of India 2000/01*, Ministry of Finance and Company Affairs, March, New Delhi.

Indian poultry products are more expensive than imported poultry products for several reasons. First, poultry farms in other countries are much larger than poultry farms in India, where there are about 1 million poultry farmers of whom 95 per cent have just 500–2,000 birds. In India, anyone who keeps 50,000 birds is considered a big farmer, whereas in the United States the average poultry farmer keeps 400–500 million birds.

Second, the price of maize feed is relatively high in India. Since feed costs account for nearly 75 per cent of the total cost of egg and chicken production, the cost of production in India is relatively high. For example, Indian poultry farmers buy maize feed at around \$130 per tonne (2000/01), whereas farmers in the United States pay only \$80 per tonne.

Third, US and European poultry processors are said to earn their main profits by selling chicken breast, promoted as lean or white meat, at a premium price of around \$3 per pound (250 rupees per kg) in domestic markets. Chicken leg, on the other hand, is treated as dark meat and targeted for dumping in Asian markets at a throwaway price of 20–25 cents per pound (around 35 rupees per kg). In India, chicken thigh and leg are considered delicacies and preferred to chicken breast. Thus when chicken leg imports are dumped on the Indian market at throwaway prices, local producers cannot compete.

Fourth, foreign governments, especially the US and EU, support their own poultry exports with subsidies, for example the Restitution Money Scheme of the European Union and the Export Enhancement Scheme of the United States. In the European Union, the subsidy comes to more than 25 per cent of the EU domestic price, and in the United States it comes to 40 per cent of the domestic price. These subsidies create an unlevel playing field where the ball inevitably bounces towards the Indian goal.

The Uruguay Round: tariff bindings and sanitary measures

Tariff bindings

During the Uruguay Round, India agreed to bind (and reduce) tariff rates for 3,373 commodities/commodity groups at 6-digit level or commodity sub-groups at 6-digit HS level (India defines custom tariff rates at the 6-digit HS level). The bound rates for almost all the commodities in question are *ad valorem*, and the committed commodities account for around 65 per cent of India's total tariff lines (5,112 lines in all). As far as agricultural commodities (or lines) are concerned, India has committed to bound rates for all of them, at three different levels: 100 per cent for raw material, 150 per cent for processed agro-commodities, and 300 per cent for edible oil. The reductions, where needed, were initially made in equal installments in March 1995 and will continue until March 2004 (though for some items the phasing period is six years). The binding rates for a number of agriculture commodities, however, are low, in a few cases they are zero. Bound rates range between 0 and 55 per cent, with the exception of rates for a few types of juice (85 per cent) and the commodity hop cone (75 per cent). India made these commitments in the earlier rounds of negotiation (before the Uruguay Round). Staging does not apply in these cases, since the concessions either have already been or are about to be implemented. Bindings for some poultry products were also made in the earlier rounds.

In 1999/00, India successfully renegotiated the binding rates on certain products with 'principal supplying interests'. The negotiations mainly concerned those agricultural commodities

whose bindings had been made prior to the Uruguay Round. Under Article 28 of GATT, India agreed to keep its import duty on some agriculture items at 0 per cent, since it was a food deficit country when the pact was signed. India did not attempt to change the rate of import duties of these commodities during the Uruguay Round, probably because it intended to follow the QR regime. The renegotiated agreement, which enables India to change the import duty on 17 items, including rice, split wheat, skim milk powder, sorghum, *jawar* and maize. The agreement was part of a trade-off with agricultural exporting countries according to which India, through the restructuring of tariff bindings, gained greater access to other items such as groundnut oil, and developed countries were allowed to raise their bound tariffs on certain items. Upon the removal of QRs—and following a sharp increase in imports of skim milk powder, from 2,000–3,000 tonnes between April and October 1998 to around 18,000 tonnes during the same period in 1999—India had to renegotiate bound rates with principal suppliers, thus it began bilateral negotiations with principal supplying members of the WTO. These renegotiations included a tariff quota deal, which allows India to impose a custom duty of 15 per cent on imports of skim milk and whole milk up to 10,000 tonnes and a 60 per cent duty on imports over 10,000 tonnes. The in-quota bound rate on maize is 15 per cent up for imports up to 350,000 metric tonnes and the out-quota rate is 60 per cent.

Similarly, India has made tariff commitments for all poultry industry commodities, and bound rates for these range from 35 per cent to 150 per cent (Table 7). Most of the poultry sector's finished (consumer) goods, that is items in commodity groups like 'birds' eggs', 'sausages or other prepared meals', and so on, are bound at 150 per cent. Exceptions to this rule are items in the HS 1602.10 (homogenised preparations), HS 1602.41 (hams and cuts thereof of swine) and HS 1602.42 (shoulders and cuts thereof of swine) commodity groups, whose tariff rates are bound at 55 per cent. While most 'live poultry' and 'meat, and edible offal of the poultry' items are bound at 100 per cent, items in the HS 0207.12 (meat, and edible offal of fowls of species *Gallus domesticus*, not cut in pieces, frozen) commodity group and a sub-group of HS 0207.34 (fatty livers, fresh or chilled, of duck and geese) are bound at the rate of 35 per cent. During the Uruguay Round, the bound rate for maize was fixed at 0 per cent, however, in early 2000, India successfully renegotiated this rate with 'principal supplying interests', setting new bound rates that will apply uniformly to all countries according to the WTO's MFN principle.

Sanitary barriers

The importance of product standards in domestic and international business transactions can hardly be overemphasised. National governments usually set health and safety standards for various products, mainly to protect consumers and conserve the environment and natural resources. Standards also ensure a uniform level of quality in merchandise, and reduce the likelihood of disputes over the specifications and quality of exported and imported goods.

Many countries impose sanitary and phytosanitary (SPS) regulations on imports of agricultural products, particularly plants, fresh fruit and vegetables, meat and meat products, and other prepared foodstuff. Prior to the Uruguay Round, international rules concerning SPS measures fell within the scope of the technical barriers to trade (TBT) agreement, also called the 'standard code', devised during the Tokyo Round of multilateral negotiations. The TBT agreement permitted its signatories to introduce SPS measures for legitimate purposes, for example protection of human, animal or plant health, protection of the environment, and national

security. After the Uruguay Round, some countries attempted to circumvent the new rules requiring the lowering of trade barriers by disguising protectionist measures as SPS regulations. Widespread concern about this abuse led to the signing of a separate agreement on the application of SPS measures, in parallel with the Agreement on Agriculture.

The SPS agreement defines SPS regulations as measures taken to protect human, animal or plant life and health, and specifies principles and rules that WTO member countries must follow in regulating imports. It requires countries to create SPS regulations in accordance with international standards, guidelines and recommendations, and to participate in the activities of international organisations such as the Codex Alimentarius Commission and the International Plant Protection Convention, in order to promote the correspondence of various nations' SPS regulations.

While the SPS agreement has much in common with its predecessor, the TBT agreement, there are two major differences. First, the TBT agreement requires product standards to be applied on an MFN basis, whereas the SPS agreement allows standards to be applied on a discriminatory basis, as long as the discrimination is not arbitrary. Discriminatory SPS treatment is based on the premise that it is inappropriate to apply the same SPS standards to animal and plant products originating from different countries because pest and disease patterns, and food safety conditions differ under different climatic conditions.

Second, the SPS agreement provides greater flexibility for countries to deviate from international standards than the TBT agreement. The TBT agreement, for example, allowed a country to deviate from international standards only if the deviation could be justified on scientific or technical grounds. The SPS agreement, on the other hand, allows a country to deviate from international standards if it determines to have a higher level of protection.

While SPS measures enable countries to shield their domestic industries from unfair international competition, unfortunately India has not yet created the detailed food safety standards that would enable it to regulate imports of poultry products. Its own exports of poultry products are hampered as well, since major trading partners—for example Germany, to which India currently has a temporary permit to export egg powder—consider its exports not to meet their standards.

In 1997, in order to establish standards for poultry product exports, the government set up a standing committee made up of representatives from the government, industry, the Bureau of Indian Standards, the Directorate of Marketing Inspection, and so on. As various government departments examine the report of the standing committee, there is widespread uncertainty about when the standards will be enforced, who will be the enforcing authority, and so on.

State support measures

The economic reform undertaken by India during the 1990s greatly changed the situation of its poultry industry. From the 1950s to the late 1990s, the industry operated in an environment of predictable markets, prices and production levels, and no external competition. This protected environment, however, will soon be gone. This section aims to draw lessons from other countries' experiences of domestic industry protection, and to this end investigates state support of the industry in the form of production and export subsidies.

Production subsidies

An important aspect of the Uruguay Round's Agreement on Agriculture (AoA) is the institutionalisation of developed countries' subsidies. Under the Agreement, developed countries

committed themselves to cutting agricultural production subsidies by 20 per cent and export subsidies by 36 per cent over the following ten years. Even after this reduction, however, subsidies are likely to remain high, since under the so-called 'Green Box' provision of the Agreement direct income subsidies to farmers are allowed on the grounds that they are 'decoupled' from production and thus 'non-trade distorting'. In fact, the subsidies provided to agriculture provided by the direct income support mechanism are enormous. According to a United Nations Development Programme (UNDP) estimate, in the United States in 1995 the subsidy came to \$29,000 per farmer—several times the per capita income of developing countries like India (Bello and Kwa 1998).

In the United States, direct income subsidies have taken the form of 'deficiency payments', which bridge the gap between the guaranteed floor intervention price (usually the market price) and a politically determined target price in order to support farm incomes. Under the 1996 United States farm bill, however, this system is being replaced by a flat rate, with farmers receiving predetermined payments regardless of production levels and prices received for produce. Between 1996 and 2002, deficiency payments were estimated to average \$5.1 billion per year (Moore 1997).

In the European Union, direct income payments are based on output, the bulk of them carried out through a 'land-set aside programme', which entitles each farmer to a subsidy when he or she withdraws 15 per cent of his or her land from cultivation (Bello and Kwa 1998). The idea behind this program is to restrict output, thus raising prices.

In fact, however, direct payments to European and United States farmers are not really decoupled from production, since without them agriculture could hardly remain profitable. Deficiency payments, for example, make up between one-fifth and one-third of United States farm incomes (Bello and Kwa 1998). In other words, by advancing the notion of 'decoupled payments', the European Union and the United States simply redefined the concept of subsidies to make it work in their interest.

By 2001, thirty countries had made a commitment to reduce total aggregate measures of support (AMS), however other members who have not made such a commitment are also required to notify the WTO of their domestic support each year. The remainder of this section gives data on poultry industry subsidies in selected countries.

Table 8 shows total AMS and both committed and actual product-specific domestic support for selected countries. Product-specific domestic support includes market price support, non-exempt direct payment, and other forms of product-specific support. The data show, first, that for Australia, Brazil, Canada and Korea both committed and actual levels of AMS, whether total or product-specific, have decreased. The total amount of AMS, however, is significant, with the United States giving \$6.2 billion in AMS in 1997. Second, for the European Union, for 1997, 1998 and 1999 only the committed levels are known, hence it is difficult to say whether AMS has decreased over time or not. This is true for the United States as well. Third, for the Philippines and Thailand, AMS has increased over time. Fourth, a large part of total AMS is non-product specific, hence it does not reflect in product-specific AMS. Fifth, although Japan's total AMS declined from 1995 to 1997, its AMS for eggs increased from 1.2 billion yen in 1995 to 1.6 billion yen in 1996 (and 1997).

Table 8 Total aggregate measure of support (AMS) and product-specific domestic support of poultry products in selected WTO member countries, 1995–99

Member	Currency	Base period	1995		1996		1997		1998		1999	
			Total AMS commitment	Current total product AMS	Total AMS commitment	Current total product AMS	Total AMS commitment	Current total product AMS	Total AMS commitment	Current total product AMS	Total AMS commitment	Total AMS commitment
Australia total	AUD million		570.2	151.7	550.5	144.2	530.8	131.6	511.2	119.7	491.5	491.5
Eggs	AUD million	62.5										
Brazil total	USD million		1,039.1	295.0	1,025.0	363.3	1,010.9	306.8	996.8	-	982.7	982.7
Canada total	CAD million		5197.0	777.0	5017.0	618.7	4,838.0	522.1	4,659.0	-	4,480.0	4,480.0
Chicken	CAD million	1.7	-	1.0	-	2.3	-	0.8	-	-	-	-
Turkey	CAD million	0.1	-	-	-	-	-	-	-	-	-	-
Eggs	CAD million	0.2	-	-	-	-	-	-	-	-	-	-
Cyprus total	CVP million	-	57.6	36.5	56.8	35.5	56.1	25.5	55.3	-	54.5	54.5
Livestock produce	CVP million	17.9	-	11.4	-	8.7	-	8.9	-	-	-	-
Eggs	CVP million	1.7	-	1.4	-	1.6	-	0.7	-	-	-	-
Poultry meat	CVP million	1.7	-	7.3	-	7.3	-	4.3	-	-	-	-
EC total	EUR billion	-	78.7	50.0	76.4	51.0	74.1	-	71.8	-	69.5	69.5
Japan total	JPY billion	-	4,800.6	3,507.5	4,635.0	3,329.7	4,469.5	3,170.8	4,304.0	-	4,138.4	4,138.4
Swine meat	JPY billion	604.5	-	323.3	-	291.8	-	285.8	-	-	-	-
Eggs	JPY billion	1.3	-	1.2	-	1.6	-	1.6	-	-	-	-
Korea total	KRW billion	-	2,182.6	2,075.4	2,105.6	1,967.4	2,028.7	1,937.0	1,951.7	1,562.8	1,874.8	1,874.8
Poultry meat	KRW billion	-	-	0.4	-	-	-	-	-	-	-	-
Eggs	KRW billion	-	-	0.2	-	-	-	-	-	-	-	-
Philippines total	PHP million	483.9	-	257.2	-	920.4	-	766.0	-	1,129.3	-	-
Thailand total	THB million	-	21,816.4	15,773.3	21,506.6	12,932.5	21,196.9	16,756.6	20,887.1	16,402.1	20,577.3	20,577.3
United States total	USD million	-	23,083.1	6,213.9	22,287.2	5,897.7	21,491.2	6,238.4	20,695.2	-	19,899.3	19,899.3

Note: Product-specific domestic support includes market price support; non-exempt direct payment; other product-specific support; and any support measure undertaken through the equivalent measure of support methodology, as reported to the WTO. A blank cell indicates that the relevant figures were not reported to the WTO.

Source: WTO, 2000b. *Domestic Support*, Background paper by the Secretariat, Committee on Agriculture, 13 April, Washington, DC.

Table 8 shows only the AMS of selected poultry products in value terms, not price support for unit production of poultry products (sometimes known as price subsidy). Table 9 shows market price support for selected poultry products in selected countries. In 1997, Switzerland's price subsidy came to 60 per cent. That is, the applied administrative price (which is close to production cost) of one tonne of poultry was 3,997 Swiss francs, while the external reference price (which is close to the domestic market price) was 673 Swiss francs per tonne, one-sixth of the applied administrative price. Meanwhile the price subsidy was 3,324 (=3,997–673) Swiss francs per tonne (US\$2,290 per tonne).

The ratio of applied administrative price to external reference price is generally quite high, ranging from 2.53 to 8.30 for different poultry products/eggs in different countries (Table 9). Moreover, the magnitude of price support in some countries has tended to increase over time, for example price support for poultry meat in Iceland was 822.2 million króna in 1998, compared to 636.3 million króna in 1997.

Export subsidies

Of 136 WTO members, 25 countries made export subsidy reduction commitments during the Uruguay Round. These commitments were made for total agriculture on the one hand and specific product groups on the other, on the basis of budgetary outlay and volume. The number of product groups varies from country to country. The total number of volume-commitment (product-specific) groupings is less than the number of budgetary outlay-commitment groupings. All member countries, including those that have no export subsidy reduction commitments, are required to report on their export subsidies to the WTO.

Table 10 gives information about export subsidies of poultry products offered by selected countries, in regards to both committed and actual outlay, and a further breakdown of each in terms of budgetary outlay and volume outlay. For some countries and commodities, only the committed budgetary outlay is reported, not the actual outlay. Several interesting observations may be made from the table. First, budgetary outlays, both committed and actual, have tended to decline, with 1998 budgetary outlays less than 1995 outlays, however the total quantum of export subsidies is still high.

Second, the quantum of actual outlay tends to be less than the corresponding committed outlay, however there are some exceptions to this in the case of volume-commitments. In some cases, the quantum of actual volume outlay is greater than the corresponding committed outlay—for example, in 1997 the EC gave away export subsidies for 393,700 tonnes of poultry meat, having only committed to 375,100 tonnes.

Until now, the discussion has been confined to aggregate export subsidy, but how much is the per unit export subsidy of selected poultry products? The relevant data are reported in Table 11, where it can be seen that per unit export subsidies have tended to increase over time. For example, in the United States for poultry meat it increased from US\$231.60 per tonne in 1995 to US\$394.74 per tonne in 1998. In the European Union (EU), per unit export subsidy of eggs increased from EUR135.65 per tonne in 1995 to EUR151.49 in 1998, while per unit export subsidy of poultry meat increased from EUR181.86 per tonne in 1996 to EUR261.21 per tonne in 1998.

Table 9 Product-specific domestic support: market price support for selected poultry products in selected countries

Country	Product	Calendar marketing year	Support measure	Applied administration prices per tonne	External reference price per tonne	Eligible productions per '000 tonnes	Associated fees and levies	Total market price support	Price ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)={ (6)-(5)}*{(7)-(8)} (10)=(5)/(6)	
Switzerland	Poultry	1997	Price support	CHF3,997 USD2,754.1 ^a	CHF673 463.7	44		CHF146.3million 100.8	5.9
	Eggs in shell	1997	Price support	CHF4,383 USD3,020.1	CHF928 USD639.43	40	-	CHF138.2million 95.22	4.7
Japan	Swine meat	April 1997	Price stabilisation	JPY385,000 ^b USD3.2 ^c	JPY152,000 ^c USD1.3	JPY1,288,000 ^d	JPY14.3 billion	JPY285.8billion USD2.4billion	2.53
	Eggs	April 1997	Payment relates price (ISK)					JPY1.6billion ^f	
Iceland ^g	Poultry meat	1998	Payment relates price (ISK)	ISK374 USD5.3 ^h	ISK61 USD0.9	ISK2,644		ISK822.2million USD million	6.1 11.6
	Egg	1998	Payment relates price (ISK)	ISK224 USD3.2	ISK27 USD0.4	ISK1,953	2,600	ISK381.6million USD million	8.3 5.4
	Poultry meat	1997	Payment relates price (ISK)	ISK417.7 USD5.9 ⁱ	ISK115.8 USD1.6	ISK212.5	5,249	ISK636.3million USD million	3.6 9.0
	Egg	1997	Payment relates price (ISK)	ISK220.5 USD3.1	ISK51.7 USD0.7	ISK2,113	2,497	ISK354.2million USD million	4.3 5.0
Canada	Chicken	Fiscal 1996	Provincial direct payment					CAD2.3million ^j	
	Chicken	Fiscal 1997	Provincial direct payment					CAD0.6million ^k	

^a Average exchange rate: CHF/USD (1997) = 1.4513; ^b Standards stabilisation price; ^c EU sluicagate price; ^d Total production per tonne; ^e JPY/USD = 120.99; ^f Non-exempt direct payment; ^g SDR=ISK98.94; ^h ISK/USD (1998) = 70.958; ⁱ ISK/USD (1997) = 70.904; ^j CAD/USD (1996) = 1.3635; ^k CAD/USD (1997) = 1.3846.

Source: WTO, n.d. Various country notifications relating to domestic support, Committee on Agriculture, Washington, DC, Available online at http://www.wto.org/english/tratop_e/agric_e.htm.

Table 10 Export subsidies of poultry products by selected countries, as reported to the WTO

Country	Product	Period	Type of commitment or commitments	Actual outlay	Units	1995	1996	1997	1998	1999
Australia	Commitment made for 5 products, excluding poultry products									
Brazil	Poultry meat	Calendar	Budgetary outlay	Committed Actual	USD million USD million	4.8 -	4.7 -	4.6 -	4.5 -	4.3 -
			Volume outlay	Committed Actual	Tonnes Tonnes	96,566 -	95,195 -	93,824 -	92,453 -	91,082 -
Canada	Commitment made for 11 products, excluding poultry products									
European Union	Poultry meat	Marketing year	Budgetary outlay	Committed Actual	EUR million EUR million	136.3 115.9	127.2 73	118 76.1	108.9 89.7	99.8 -
			Volume outlay	Committed Actual	Tonnes Tonnes	434,500 418,100	404,700 401,400	375,100 393,700	345,400 343,400	315,600 -
	Eggs	Marketing year	Budgetary outlay	Committed Actual	EUR million EUR million	60.7 12.9	57.3 6.9	53.9 13	50.5 17.3	47.1 -
			Volume outlay	Committed Actual	Tonnes Tonnes	126,100 95,100	120,600 67,900	115,200 103,800	109,700 114,200	104,200 -
Korea	No reduction commitments made in WTO, but reported to WTO that it did not subsidise poultry product exports during 1995-98									
Philippines	No reduction commitments made in WTO, but reported to WTO that it did not subsidise exports from any industry, including the poultry industry									
United States	Poultry meat	1 October-30 September	Budgetary outlay	Committed Actual	USD million USD million	21.4 5.2	20.0 -	18.6 0.9	17.3 1.4	15.9 -
			Volume outlay	Committed Actual	Tonnes Tonnes	34,196 22,250	32,955 -	31,715 -	30,475 3,546	29,235 -
	Eggs(dozen)	1 October-30 September	Budgetary outlay	Committed Actual	USD million USD million	7.6 -	6.4 -	5.1 -	4.0 -	2.8 -
			Volume outlay	Committed Actual	Dozen Dozen	30,261,813 7,565,500	25,593,371 -	20,924,929 -	16,256,487 -	11,588,045 -
Thailand	No reduction commitment made in WTO, but has given export subsidy to eggs and other industries									

^a For eggs and rice.

^b For manioc pellet.

Source: WTO, 2000c. *Export Subsidies*, Background Paper by the Secretariat, Committee on Agriculture, Special Session, G/ANG/S/5, 11 May, Washington, DC.

Table 11 Actual export subsidy per unit of selected poultry products in the European Union and the United States

Country	Product	Unit	1995	1996	1997	1998
European Union	PoultryMeat	EUR/tonne	277.21	181.86	193.29	261.21
		USD/tonne	362.61	230.60	219.22	295.17
	Egg	EUR/tonne	135.65	101.62	125.24	151.49
		USD/tonne	177.44	128.85	142.04	171.18
United States	Poultry meat	USD/tonne	231.60	-	- ^a	394.74
	Eggs	USD/tonne	- ^b	-	..	..

^a Value of actual budgetary outlay was USD862,500, while volume was reported as 0, as reported to the WTO.

^b Value of actual budgetary outlay was reported as 0, while volume reported to the WTO was 7,565,500 dozen.

Source: Table 10.

Tariff quota

Market access commitment is one of the major achievements of the AoA. The AoA entailed the conversion of all non-tariff barriers (NTBs) into equivalent tariff barriers, a process sometimes referred to as 'tariffication'. Apart from tariffication, the Uruguay Round negotiations also led to the creation of a time-bound programme to reduce the base tariff by an average of 24 per cent over ten years in the case of developing countries and 36 per cent over six years for developed countries. In addition, it was decided that already extant access opportunities would be maintained and a minimum access tariff quota would be established. The minimum access tariff quota would involve a reduced tariff rate for basic products whose minimum access was less than a certain proportion of domestic consumption in the base year (1986–88 for most countries). The minimum access import quota is supposed to equal 1 per cent of domestic consumption for developing countries and 3 per cent for developed countries, increasing to 4 per cent by 2004 for developing countries and 5 per cent by 2000 for developed countries. Tariff quotas were fixed at reasonable levels on a line-by-line basis in order to facilitate market access, with 36 member countries opting for tariff quotas on 1,371 lines (see WTO 2000d for details).

Table 12 shows the numbers of lines with tariff quotas committed to by various countries during the Uruguay Round. It can be seen that Norway made a commitment to the maximum number of lines, 232, while the European Union committed to 87 lines and the United States to 54. A significant number of these commitments were made for poultry, eggs, and egg products. The WTO categorises the different lines with tariff quota in 12 broad groups, although different countries apply different administrative methods in order to fill tariff quotas. The WTO categorises the different administrative methods in 10 groups (Table 13).

Although the tariff quota tends to provide imports with a minimum of market access (3–5 per cent), over-quota tariffs and stringent administration methods (for imports) obstruct imports above the quota levels.

During the Uruguay Round, India did not opt for tariff quotas for any lines. The removal of its QRs may lead to a significant increase in imports of certain agricultural items, thus for example skim milk powder imports increased from 2,000–3,000 tonnes between April and October

Table 12 Number of tariff quota lines committed to by WTO member countries, 1999

Country	No. of lines	Country	No. of lines
Australia	2	Mexico	11
Barbados	36	Morocco	16
Brazil	2	New Zealand	3
Bulgaria	73	Nicaragua	9
Canada	21	Norway	232
Colombia	67	Panama	19
Costa Rica	27	Philippines	14
Czech Republic	24	Poland	109
Ecuador	14	Romania	12
El Salvador	11	Slovakia	24
EC-15	87	Slovenia	20
Guatemala	22	South Africa	53
Hungary	70	Switzerland	28
Iceland	90	Thailand	23
Indonesia	2	Tunisia	13
Israel	12	United States	54
Japan	20	Venezuela	61
TOTAL	1,368		

Source: WTO, 2000c. *Export Subsidies*, Background Paper by the Secretariat, Committee on Agriculture, Special Session, G/A/NG/S/5, 11 May, Washington, DC.

Table 13 Categories of principal administration methods adopted for tariff quota in various countries

Code	Description
AT	Applied tariffs. No shares are allocated to importers; imports of the products concerned are allowed into the territory of the WTO member in unlimited quantities at the in-quota tariff rate or lower.
FC	First come, first served. No shares are allocated to importers; imports are permitted at the in-quota tariff rates until the tariff quota is filled, then the higher tariff automatically applies; the physical importation of the good determines the order and hence the applicable tariff.
LD	Licences on demand. Importers' shares are generally allocated, or licences issued, in relation to quantities demanded and often prior to the commencement of the period during which the physical importation is to take place; this includes methods involving licences issued on a first come, first served basis and those systems where licence requests are reduced pro rata where they exceed available quantities.
AU	Auctioning. Importers' shares are allocated, or licences issued, largely on the basis of an auctioning or competitive bid system.
H	Historical importers. Importers' shares are allocated, or licences issued, principally in relation to past imports of the product concerned.
ST	Imports undertaken by state trading entities. Import shares are allocated entirely or mainly to a state trading entity that either imports the product concerned or controls imports through intermediaries.
PG	Producer groups or associations. Import shares are allocated entirely or mainly to a producer group or association that either imports the product concerned or controls imports through intermediaries.
OT	Other. Administrative methods that do not clearly fall into any of the above categories.
MX	Mixed allocation methods. Administrative methods that involve a combination of the methods above with no one method being dominant.
NS	Non-specified. Tariff quotas for which no administration method has been notified.

1998 to around 18,000 tonnes during the same period in 1999. Because India had no options to restrict increases in imports, in 1999/00 it was forced to renegotiate binding rates and tariff quotas with 'principal supplying interests' like the United States, the European Union, Canada and New Zealand. This it has done successfully for 17 commodities. The renegotiated deals enable India to enhance import duty and place tariff quota on selected lines. India now has a tariff quota system for three items—skim milk/whole milk, edible oil, and corn. In the case of skim milk/whole milk, India has imposed a custom duty of 15 per cent on imports up to 10,000 tonnes (during a financial year), and 60 per cent on imports over 10,000 tonnes. For corn, the in-quota duty on corn—imposed on imports up to 350,000 metric tonnes—is 15 per cent, while the out-quota is 60 per cent. It should be remembered that this deal was part of a trade-off with agricultural exporting countries, under which other developed countries are allowed to restrict their markets and/or increase their market access in India for certain other items.

Conclusion

Since 1980, the Indian poultry industry has recorded extraordinary growth, and demand for poultry products has also risen steeply.

The United States, China, the European Union and Brazil are the leading producers, consumers, and exporters of poultry products, while Russia, Hong Kong, Mexico and Japan are the main importers. Imports have increased in quantity quite significantly in recent years—for example, imports by Russia tripled in the first seven months of 2001, reaching 0.7 million tonnes.

An important characteristic of the poultry industry is its oligopolistic structure—a few large companies dominate the international market. In the market economies of the West, however, government intervention is still strong, with the United States and Canada, for example, supporting their domestic poultry industries with price support and export subsidies, and also levying import duties at a rate whose *ad valorem* equivalent is quite high. In addition, tariffs are usually two-tier, with in-quota and out-quota rates.

Trade liberalisation in developing countries is slowly changing the structure of their poultry industries. Imports of poultry products to the Philippines, for example, grew tremendously after 1996, even though domestic production was just enough to meet local requirements, and cheap imports now compete intensely with local products. In 1997, the United States accounted for four-fifths of chicken imports to the Philippines.

With regards to various countries' import policies, WTO member countries, particularly developed countries, use various instruments to protect their own domestic producer and consumer as well as national interests. These instruments include production subsidies, export subsidies, non-tariff measures, special safeguard protection, and tariff quota. India did not opt for any of these instruments in the Uruguay Round, though it might have done, since its imports were subject to various QRs and it could have negotiated for higher bound rates for its agricultural items. The removal of QRs has forced India to consider alternative measures.

In the short run, the options for India's poultry industry are very limited. One option is to encourage the government to calculate the tariff equivalent of QR on poultry products. Another is to encourage the government to introduce TRQs. Even countries like the Philippines have introduced two-tier tariffs, one tier to ensure a minimum level of competitiveness in the industry and the other to protect the industry.

Table 14 Principal tariff quota administration methods—number of tariff quotas by product category, 1999

Administrative	Cereals	Oilseeds	Sugar	Dairy	Meat ^a	Eggs ^b	Beverages	Fruit	Tobacco	Fibres	Coffee	Other	All
AT	106	72	22	54	88	7	9	211	7	7	21	38	642
FC	18	13	13	16	26	-	11	26	1	7	14	2	147
LD	66	28	8	47	77	11	11	62	3	2	14	8	337
AU	3	-	3	18	18	2	2	10	-	-	-	-	56
HI	11	2	3	13	23	-	2	17	1	1	2	-	75
ST	7	3	1	2	-	-	-	6	1	-	1	-	21
PG	1	3	-	-	-	-	-	3	-	-	1	1	9
OT	-	-	-	10	4	-	-	1	-	-	-	-	15
MX	4	3	1	21	9	1	-	13	-	1	3	4	60
NS	1	-	-	-	-	-	-	5	-	-	-	-	6
Total	217	124	51	181	245	21	35	354	13	18	56	53	1,368

^a Bovine meat, swine meat, poultry meat, sheep meat, live animals, aggregated meat tariff quotas (for example, beef and sheep meat), processed animal products.

^b Eggs, other egg products, aggregated egg and egg product tariff quotas.

Negotiation of the Agreement of Agriculture is already underway, and India has had to endeavour to protect the interests of its producers and consumers. There are several policy options available to India in this regard. First, in the ongoing review of the Agreement on Agriculture, it can take up the issue of special safeguard protection (SSP), whose benefits are currently available only to a few countries but should be extended to many.

Second, many developed countries provide their domestic industries with substantial production and export subsidies, whereas the Indian poultry industry is taxed and is not even granted concessions. In order to create a level playing field in the international market, developed countries should waive their subsidies.

Third, an Indian poultry industry association should be set up and assigned with the task of compiling vital information and statistics relating to economic and trade policies and variables. The association should provide early warnings to the industry so that the latter can take appropriate steps to safeguard the interests of consumers and farmers (particularly small and marginal farmers).

Fourth, India should ensure and accelerate the enforcement of technical standards for poultry products. This will not only restrict cheap imports, but also help the industry penetrate export markets.

Finally, the Indian poultry industry needs to continue to adapt to the changing world environment, in particular by greatly increasing the scale of its production, marketing and processing.

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Note

- 1 Indian maize production has stagnated at 9–10 million tonnes per year since 1990. Meanwhile, the poultry industry alone requires 5 million tonnes of maize, while the starch industry requires 1.3 million tonnes, the cattle feed industry requires 1.5 million tonnes, the seed industry requires 0.20 million tonnes and human consumption accounts for 4.1 million tonnes. Thus, total domestic requirements come to 12.1 million tonnes, while domestic production is only 10 million tonnes. The difference of 2.1 million tonnes has to be made up by imports.