

A Primer on Agriculture and the WTO

Introduction

The World Trade Organization (WTO) is an international organization committed to reducing barriers to trade. Its stated goal is to “help producers of goods and services, exporters and importers conduct their business.” Fundamentally, the WTO is a forum for governments to negotiate trade and trade-related agreements, monitor and enforce trade rules and deal with disputes between members. This makes the WTO critical to maintaining the international rules-based trading system that supports Canadian agri-food exporters.

Today’s multilateral trading system was forged through the Uruguay Round of trade negotiations which took place between 1986 and 1994. The talks included specific negotiations on agriculture and resulted in what’s known as the Marrakesh Agreement. The Agreement, which came into force on January 1, 1995 established the World Trade Organization (WTO) and set out the current rules that govern multilateral trade in goods and services. Annexed to the Marrakesh Agreement is the [Agreement on Agriculture](#) (AoA), which sets out the rules by which the international trade in agriculture is governed.

WTO Agreement on Agriculture (AoA): three pillars for Agriculture’s multilateral trade rules

The WTO Agriculture Agreement provides a framework for the long-term reform of agricultural trade and domestic policies, with the aim of establishing “a fair and market-oriented agricultural trading system”. Under the Agreement, WTO members have “schedules” or lists of commitments that set limits on the tariffs they can apply to individual products as well as on levels of domestic support and export subsidies. WTO members are continuing to negotiate further agricultural trade reform. The Agreement covers the following areas known as the three pillars of agriculture trade reforms which remain the primary focus of agriculture negotiators at the WTO:

1. **Market access** — *the use of trade restrictions, such as tariffs on imports.*

The AoA introduced a regime of tariff-only market access protection, replacing a system that had included all types of non-tariff measures. Each WTO Member has a “schedule” which shows the maximum tariff that can be applied on the import of an agricultural product or group of products. Some WTO Members have tariff quotas where a specific volume of an agricultural product can be imported at a lower rate of duty while imports over this volume have a higher rate of duty.

2. **Domestic support*** — *the use of subsidies and other support programmes that directly stimulate production and distort trade*

All domestic support that is provided to agricultural producers is subject to rules or limits. The AoA classifies domestic support into three broad categories which are commonly referenced as a coloured “box”. ‘Green box’ support is unlimited. Examples of Green Box support includes: general

*THE DOMESTIC SUPPORT BOXES

Within the WTO system, domestic support falls into one of three “boxes”:

Amber box: Domestic support for agriculture that is considered to distort production or trade, and is therefore subject to a limit. It includes market price support, price or production linked payments, and input subsidies.

Blue box: Rules that exempt certain domestic support payments from reduction commitments. This support consists of direct payments under production-limiting programs.

Green box: Green Box support consists of measures that are considered to have no, or at most minimal, trade or production-distorting effects.

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government service in the areas of research, disease control, infrastructure and domestic food aid. 'Blue box' support is unlimited and examples include payments based on 85% or less of a base level of production or a historical number of animals.

'Amber box' payments were subject to an annual limit. Thirty-two WTO Members have an annual monetary limit while the other WTO Members have an annual limit based on agricultural value of production. Generally, domestic support that meets neither the Green Box or Blue Box criteria are classified as Amber Box.

3. Export competition — *the use of export subsidies and other government support programmes that subsidize exports.*

Under the AoA, a WTO Member cannot provide export subsidies other than those included in its schedules. Developing countries can provide subsidies related to transport and freight. During the 10th WTO Ministerial Conference in December 2015, there was an agreement to eliminate all export subsidies.

The Committee on Agriculture

The WTO Committee on Agriculture meets three to four times per year to oversee the implementation of the AoA and review Members' compliance with commitments. This is done primarily through a review of notifications (domestic support, market access, export subsidies and international food aid) submitted by Members. The agenda also allows for questions related to recent domestic agricultural policy developments. The Committee's work is essential in promoting transparency and gathering the intelligence needed to advance negotiations. The agriculture negotiations take place in the Committee on Agriculture in Special Session which has a separate process and agenda.

WTO Ministerial Conference

The Ministerial Conference, which is attended by trade ministers and other senior officials from the organization's 164 members, is the highest decision-making body of the WTO. The Ministerial Conference is to meet at least once every two years.

The 10th WTO Ministerial Conference, held in December 2015 in Nairobi, Kenya, resulted in several agreements on agriculture. Six Ministerial Decisions were agreed to, known collectively as the "Nairobi Package". These six Decisions focused on agriculture, cotton and issues related to Least Developed Countries (LDCs). The decisions on agriculture included a commitment to eliminate export subsidies in agriculture, which had been a major negotiating priority for Canada, as well as decisions on public stockholding for food security purposes, on a special safeguard mechanism for developing countries, and on trade rules for cotton. This result built on progress made at the 9th WTO Ministerial Conference, held in Bali in 2013, where Ministers agreed on multilaterally negotiated outcomes including the Trade Facilitation Agreement, tariff rate quota administration, and public stockholding for food security purposes. In 2017, Ministers also met in the eleventh Ministerial Conference in Buenos Aires and adopted several decisions, including on fisheries subsidies and e-commerce duties, and a commitment to continue negotiations in all areas. However, no major development on agriculture was reported.

What's happening now?

WTO Members are gearing up for the 12th WTO Ministerial Conference, set to take place in Kazakhstan, in

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June 2020. While the agenda is under negotiation, addressing trade-distorting domestic support for agriculture remains a priority for a majority of members, including Canada.

WTO agriculture negotiators recently met (in mid-July) in the Committee on Agriculture in Special Session. Talks touched on each of the three pillars of the negotiations (domestic support, market access and export competition), however, domestic support remained the primary focus. Members also reviewed a new submission by the least-developed countries group on the agricultural negotiations as well as new suggestions by Russia on market access as they continued discussions on six key topics: domestic support, market access, export competition, export prohibition/restriction, public stockholding and cotton. The Chair continues to encourage members to come up with more practical or incremental solutions **“to move farm negotiations to a solution-finding phase.”**

- **Domestic Support**

Ahead of the meeting, Canada and a number of members of the [Cairns group](#) (a group of agriculture exporting countries) tabled a summary of all the negotiation options on domestic support submitted since the 11th Ministerial Conference (MC11) in December 2017, which was reportedly well received. The paper does not introduce new proposals but rather organizes the various options on reforming domestic support into three themes to help facilitate the discussion: (1) developing new disciplines through limits and reductions in domestic support, (2) clarifying existing rules on domestic support, and (3) enhancing transparency. Product-specific support is regularly cited by members as the most distorting form of support in agricultural trade, as production or trade-distorting support is often concentrated on only a few specific commodities.

Talks are at a standstill because of the entrenched positions of key members that remain far apart. While it seems that members may agree on the need to address trade distorting domestic support, there remain differences on how that objective might be achieved. Numerous developing country members are calling for a leveling of the playing field and correcting what they perceive as existing imbalances in the WTO Agreement on Agriculture.

- **Market Access**

Several members put forward ideas on range of topics including reservations about targeting country-specific tariff rate quotas (TRQs). While no proposals were submitted, many members stressed in the discussions the need to focus first on how to enhance transparency to properly monitor and possibly improve the disciplines in export competition.

The Chair recognized the challenges in achieving balanced outcomes within this pillar and reminded members of the need to find solutions, stating **“Doability is now the important criteria for focussing our work if we are to have an outcome on market access by MC12.”**

- **Export Competition**

A few members reiterated their interest in reviewing export financing, international food aid programmes and other issues, but again, no solutions were proposed.

The Chair noted in his conclusion that many members had stressed in the discussions the need to focus as a first step on how to enhance transparency to properly monitor and possibly improve the disciplines in export competition, resulting in particular from the December 2015 Nairobi Decision on Export Competition.

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Next Steps

Negotiators are likely to convene with greater frequency in the lead-up to the 12th Ministerial Conference in 2020 to shape an acceptable package of proposals to present to Ministers. It remains too early to tell exactly what that package might include and whether delivering an ambitious outcome for agri-food exporters will be possible. The challenge for the Chair will be to identify and push for movement and bridge positions where possible.

The next formal meeting of the Committee on Agriculture in Special Session will take place at the end of September. Three committee meetings are scheduled for Sept. 26-27, Oct. 28-29 and Nov. 28-29, 2019.