

## An Update on Agriculture and the WTO

### What's happening now?

WTO Members are gearing up for the 11<sup>th</sup> WTO Ministerial Conference, set to take place in Buenos Aires, Argentina in December 2017. The agenda is under negotiation, however placing new limits on trade-distorting domestic support for agriculture is a priority for a majority of Members, including Canada. In October 2016, Ministers and Officials from Canada and 24 other countries met in Oslo, Norway and highlighted domestic support in agriculture as an area on which negotiators should focus in the coming year.

WTO agriculture negotiators last met in mid-November 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. Market access discussions centered on tariff escalation (the application of progressively higher import fees or charges from the raw to the processed form of products within the same product category) and cuts to tariff “overhang” (the difference between bound and applied tariff levels). In the area of export competition, some members are interested in seeing new rules that would ensure that export credit programs operate on closer to commercial terms. There were also dedicated sessions on public stockholding and the special safeguard mechanism (SSM). Ministers have mandated that negotiators continue to focus on these two issues, however there remains wide disagreement between Members on how to proceed. A WTO report on the recent negotiations can be seen [here](#).

Negotiators will convene with greater frequency in the lead-up to the 11<sup>th</sup> Ministerial Conference in December 2017 to try to shape a package of proposals to present to Ministers. It remains too early to tell exactly what that package might include.

### Building on the 10th WTO Ministerial Conference

The 10<sup>th</sup> 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. The decisions on agriculture included agreement to eliminate all forms of export subsidies in agriculture, which had been a major negotiating priority for Canada. This result built on progress made at the 9<sup>th</sup> WTO Ministerial Conference, held in Bali in 2013, where Ministers agreed on multilaterally-negotiated outcomes, including on trade facilitation, tariff rate quota administration, and public stockholding for food security purposes.

#### The Committee on Agriculture

In addition to the ongoing negotiations, 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 progress negotiations.

### How did we get here?

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 the Marrakesh Agreement. The Agreement, which came into force on January 1, 1995, established the WTO and

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set out the current rules that govern multilateral trade in goods and services. It also established the ways in which countries would resolve trade disputes and undertake trade policy reviews. 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.

### **Agriculture's multilateral trade rules : three pillars**

The AoA established rules on agriculture trade, primarily in the *three areas or "pillars" of market access, domestic support and export competition*. As noted, these three pillars remain the primary focus of agriculture negotiators at the WTO.

**Market access:** The AoA introduced a regime of tariff-only market access protection, replacing a system that had included all types of non-tariff measures. Every country provided "Schedules" which showed the new tariff levels that had been converted from other types of barriers as well as the pre-existing tariffs for all other agricultural products. Members agreed to average tariff reductions from those levels. Developed countries agreed to take deeper tariff reductions in a shorter period of time than their developing country counterparts.

**Domestic support:** WTO Members agreed, in the AoA, to limit and set reductions on the level of domestic support that can be provided. Green box support measures were excluded from reduction commitments and are allowed without limit. These types of payments include general government services, for example in the areas of research, disease control, infrastructure and food security. Blue box measures were also excluded.

Amber box payments were subject to caps and reduction commitments. These commitments are expressed as Total Aggregated Measurement of Support (AMS). AMS covers all support provided on either a product-specific or non-product-specific basis that does not qualify for exemption. The calculation of AMS however, does not include "*de minimis*" support. Developed countries can exclude product-specific support from their AMS calculation if the sum of that support is equal to or less than 5% of that product's value of production. Similarly, a developed country can exclude non-product specific support from its AMS if that support is equal to or less than 5% of total agriculture value of production. Developing countries have a 10% *de minimis* level. Total AMS was to be reduced over an implementation period that has now ended. As such, all current AMS limits are now fixed. Many developing countries have no AMS entitlements and can only provide amber box support within their *de minimis* limits.

**Export competition:** The AoA dictated that Members were not to provide export subsidies other than those outlined in the agreement and specified in Members schedules. As mentioned, agreement was reached in 2015 to eliminate export subsidies entirely.

#### **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 ceiling commitment. It includes market price support, many kinds of 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:** Rules that exempt certain domestic support from being included in the reduction commitments. Green support consists of measures that are considered to have no, or at most minimal, trade or production-distorting effects.