

# The WTO Agreement on Agriculture

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## Background

The WTO's Agriculture Agreement was negotiated in the 1986–94 Uruguay Round and was a significant first step toward fairer competition and a less distorted sector. It includes specific commitments by WTO member governments to improve market access and reduce trade-distorting subsidies in agriculture. These commitments were to be implemented over a six-year period (10 years for developing countries) that began in 1995.

## Provisions of the Agreement

- Preamble (refers to the Ministerial Declaration on the Uruguay Round and the Mid-Term Review of the Uruguay Round)
  - *Increase market orientation in agricultural trade*
    - Long-term objective: “to establish a fair and market-oriented agricultural trading system” by providing “for substantial progressive reductions in agricultural support and protection sustained over an agreed period of time, resulting in correcting and preventing restrictions and distortions in world agricultural markets.”
  - *Strengthen rules to improve predictability and stability for importing and exporting countries*
    - *Initiate a reform process through negotiations on support and protection*
  - *Make specific commitments on market access, domestic support, export competition, and sanitary and phytosanitary issues*
    - On market access: “take fully into account the particular needs and conditions of developing-country members by providing for a greater improvement of opportunities and terms of access for agricultural products of particular interest to these members, including the fullest liberalization of trade in tropical agricultural products...”
  - *Consider nontrade concerns such as food security, environmental protection, special and differential treatment for developing countries, possible negative effects on least-developed and net food-importing developing countries*
- Concessions and commitments members are to undertake on market access, domestic support, and export subsidies
  - Market access:
    - *Reduce tariff and nontariff border measures by an average of 36% in developed countries (over six years) and 24% in developing countries (over 10 years). Least-developing countries do not need to reduce their tariffs.*
    - *Maintain current access and establish minimum access tariff quotas (at reduced tariff rates) where current access is less than 3% of domestic consumption. Increase minimum access tariff quotas to 5%*

*over implementation period.* There are “special safeguard” provisions in certain cases such as import surges (where imports make up a large proportion of consumption, a lower import surge is required to trigger special safeguard action).

- Domestic support
  - *Reduce Total Aggregate Measurement of Support (Total AMS) by 20% for developed countries, 13.3% for developing countries, and 0% for least-developed countries during the implementation period.*
  - Domestic support measures that have a minimal impact on trade (“green box policies”) are excluded from reduction commitments. These include general government services such as research, disease control, infrastructure, and food security, as well as direct payments to producers such as “decoupled” (from production) income support, structural adjustment assistance, and direct payments under environmental programs and under regional assistance programs.
  - Other policies not included in the Total Aggregate Measurement of Support reduction commitments are direct payments under production-limiting programs, certain government assistance to encourage agricultural and rural development in developing countries, and other support that makes up only a low proportion (5% for developed countries, 10% for developing countries) of the value of production of individual products or the value of total agricultural production.
- Export subsidies
  - *Reduce the values of mainly direct export subsidies to 36% below the 1986–90 base period level over the six-year implementation period, and the quantity of subsidized exports by 21% over the same period.* The reduction in values for developing countries will be two-thirds of the reduction for developed countries and will be carried out over a 10-year period. Least-developed countries are exempted.
  - Limited flexibility is provided between years in terms of export subsidy reduction commitments
  - Some provisions are aimed at preventing the circumvention of the export subsidy commitments and set criteria for food aid donations and the use of export credits
- Agreement on Sanitary and Phytosanitary Measures
  - This separate agreement reaffirms the right of countries to set their own health and safety standards provided these are justified on scientific grounds and do not result in arbitrary or unjustified barriers to trade; encourages the use of international standards; and includes certain special and differential treatment provisions
- Ministerial decision concerning least-developed and net food-importing developing countries
  - Ministers agreed to a number of mechanisms to ensure that enough food aid continues to be provided to meet the food needs of developing countries despite the implementation of the results of the Uruguay Round. They also agreed to ensure that any agreement relating to agricultural export credits

makes appropriate provision for differential treatment in favor of least-developed and net food-importing developing countries.

The agricultural negotiations in the Uruguay Round were by no means easy—the broad scope of the negotiations and their political sensitivity necessarily required much time to reach an agreement on the new rules, and much technical work to establish sound means of formalizing commitments in policy areas beyond the scope of prior GATT practice. The Agreement on Agriculture and the Agreement on the Application of Sanitary and Phytosanitary Measures were negotiated in parallel, and a Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-developed and Net Food-importing Developing Countries also formed part of the overall outcome.

### Numerical targets for cutting subsidies and protection [back to top](#)

The reductions in agricultural subsidies and protection agreed in the Uruguay Round

	Developed countries 6 years: 1995-2000	Developing countries 10 years: 1995-2004
<b>Tariffs</b>		
average cut for all agricultural products	-36%	-24%
minimum cut per product	-15%	-10%
<b>Domestic support</b>		
cuts in total (“AMS”) support for the sector	-20%	-13%
<b>Exports</b>		
value of subsidies (outlays)	-36%	-24%
subsidized quantities	-21%	-14%

**Notes:** Least-developed countries do not have to reduce tariffs or subsidies. The base level for tariff cuts was the bound rate before January 1, 1995; or, for unbound tariffs, the actual rate charged in September 1986 when the Uruguay Round began.

Only the figures for cutting export subsidies appear in the agreement. The other figures were targets used to calculate countries’ legally binding “schedules” of commitments. Each country’s specific commitments vary according to the outcome of negotiations. As a result of those negotiations, several developing countries chose to set fixed bound tariff ceilings that do not decline over the years.

Source: WTO Web site

Negotiations on agriculture began in early 2000. In November 2001, at the Doha Ministerial Conference, the Doha Declaration reconfirmed the long-term objective of the WTO Agriculture Agreement and set a series of deadlines for achieving it.

*In 2002, President Bush signed the farm bill providing \$180 billion in support to American farmers over the next decade. (NYT, July 20, 2003)*

Members missed the March 31, 2003, deadline for agreeing on “modalities”—targets and issues related to rules for achieving the objective.

On August 31, 2003, a joint US-EU proposal on agriculture was offered in an attempt to move negotiations forward. (Forbes.com, November 10, 2003)

On September 14, 2003, the 5<sup>th</sup> WTO Ministerial Conference in Cancun ended without the “comprehensive draft commitments” from member countries to reduce agricultural support and protection and other distortions.

On January 12, 2004, US Trade Representative Zoellick sent a letter to WTO members saying that he believed “an agreement to eliminate export subsidies by a certain date” was necessary if trade talks were to progress. He proposed setting a new mid-2004 deadline for some basic accords and called on trade ministers to meet in Hong Kong before the end of 2004.

January 1, 2005, was the original deadline set by the Doha Declaration for the end of negotiations.

### **Importance of the Agreement for the Trading System**

- **It deals with a significant sector of world economic activity.** In many countries, including many least-developed and developing countries, agricultural trade remains an important part of overall economic activity and continues to play a major role in domestic agricultural production and employment.
- **It corrects serious economic and trade distortions caused by non-market-oriented mechanisms that result in grossly inefficient use of resources**
- **It could substantially reduce world poverty.** The World Bank estimates that an end to trade-distorting farm subsidies and tariffs could expand global wealth by as much as 0.5 trillion dollars and lift 150 million people out of poverty by 2015. (Source: various news articles)
- **Developing countries are insisting that it should receive utmost priority if multilateral trade negotiations are to proceed**
- **If developed countries with the most agriculture protection (the US, EU, and Japan) renege on their commitments to the agreement, they stand to lose credibility with developing countries in efforts to further liberalize trade**
- **It addresses food security issues.** The trading system also plays a fundamentally important role in global food security. For example, it ensures that temporary or protracted food deficits arising from adverse climatic and other conditions can be met from world markets.
- **It is long overdue.** The products of greatest interest to the least-developed countries—many agricultural products, together with clothing and other labor-intensive manufactures—are among the most heavily protected in the markets of their current

and potential trading partners, both developed and developing. For the first time, member governments are committed to reducing agricultural export subsidies and trade-distorting domestic support. They have agreed to prohibit subsidies that exceed negotiated limits for specific products. And the commitments to reduce domestic support are a major innovation and are unique to the agricultural sector.

- **It is important to the United States.** “It is difficult to overstate what is at stake here. For the United States farm community, the facts speak for themselves. The United States is the world’s biggest exporter of agricultural products, accounting for 12% of the total. This makes up 10% of total United States exports. Some three-quarters of these exports are outside the NAFTA area—40% destined for Asia alone. This is why a multilateral approach to agricultural negotiations is so important for the United States. For the United States and other export-oriented producers the negotiations could open up, on a secure and predictable basis, better access to the most dynamic food markets of the future, including the upper-income developing countries.” (Mike Moore, WTO Director General, 2001)

For other countries, including the poorest, the negotiations offer the possibility of improved growth through trade in products where they might have a competitive advantage if trading conditions were less distorted. This, in turn, will make it less attractive to grow illegal crops.

There are many other instances where the agriculture negotiations hold out the possibility of win/win results. For example, cutting trade-distorting subsidies can both lower prices to consumers and reduce the incentive to farm in a way that is unfriendly to the environment.

Of course, not everyone sees the possibilities and priorities in the same way. Some governments and their farm constituents feel the Uruguay Round promised benefits that have still not arrived. Others fear a further erosion of existing protection could pose a threat to traditional values and lifestyles. And no one should underestimate the reality of the concern for food safety, which is particularly acute in Europe at present but is by no means found only there.