



## Agricultural and Food Policy (4201-410)

### Some notes on the WTO and the URAA

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Lecture notes and further information:  
<http://www.uni-hohenheim.de/apo>



## World Trade Organization (WTO)



= **International organization dealing with global rules of trade between nations.**

- Headquarters: Geneva, Switzerland
- Established: 1 January 1995
- Created by: Uruguay Round Negotiations (1986-94)
- Membership: 151 countries (as of July 2007)
- **Main function:** Ensure that trade flows as smoothly, predictably and freely as possible.
- Multilateral trading system
- WTO agreements are lengthy and complex because they are legal texts covering a wide range of activities.
- They deal with: agriculture, textiles and clothing, banking, telecommunications, government purchases, industrial standards and product safety, food sanitation regulations, intellectual property, and much more.

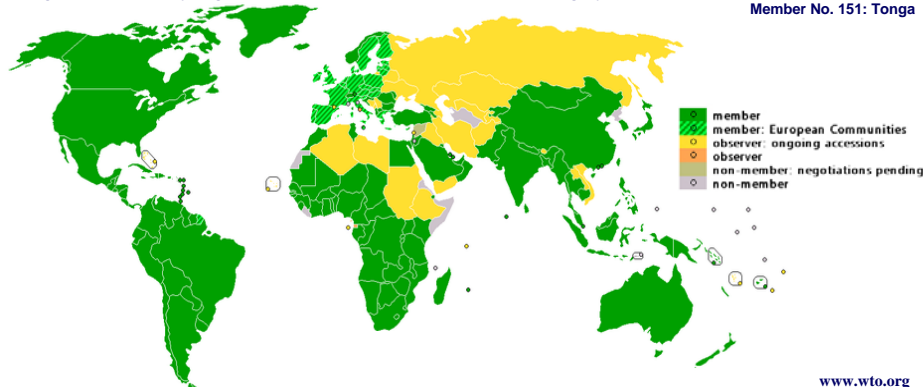
Source: [www.wto.org](http://www.wto.org)



## World Trade Organization (WTO) - Members



Albania • Angola • Antigua and Barbuda • Argentina • Armenia • Australia • Bahrain • Bangladesh • Barbados • Belize • Benin • Bolivia • Botswana • Brazil • Brunei • Bulgaria • Burkina Faso • Burundi • Cambodia • Cameroon • Canada • Central African Republic • Chad • Chile • People's Republic of China (PRC) • Colombia • Congo • Costa Rica • Cote d'Ivoire • Croatia • Cuba • Democratic Republic of the Congo • Djibouti • Dominica • Dominican Republic • Ecuador • Egypt • El Salvador • European Communities • Fiji • Gabon • The Gambia • Georgia • Ghana • Grenada • Guatemala • Guinea • Guinea Bissau • Guyana • Haiti • Honduras • Hong Kong (PRC) • Iceland • India • Indonesia • Israel • Jamaica • Japan • Jordan • Kenya • Kuwait • Kyrgyzstan • Lesotho • Liechtenstein • Macau (PRC) • Madagascar • Malawi • Malaysia • Maldives • Mali • Malta • Mauritania • Mauritius • Mexico • Moldova • Mongolia • Morocco • Mozambique • Myanmar • Namibia • Nepal • New Zealand • Nicaragua • Niger • Nigeria • Norway • Oman • Pakistan • Panama • Papua New Guinea • Paraguay • Peru • Philippines • Qatar • Republic of Macedonia • Romania • Rwanda • Saint Kitts and Nevis • Saint Lucia • Saint Vincent & the Grenadines • Saudi Arabia • Senegal • Sierra Leone • Singapore • Solomon Islands • South Africa • South Korea • Sri Lanka • Suriname • Swaziland • Switzerland • Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu • Tanzania • Thailand • Togo • Trinidad and Tobago • Tunisia • Turkey • Uganda • United Arab Emirates • United States • Uruguay • Viet Nam • Venezuela • Zambia • Zimbabwe  
Member No. 151: Tonga



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## World Trade Organization (WTO)



### Principles of the Multilateral Trading System

#### A trading system should...

1. *be free of discrimination* in the sense that one country cannot privilege a particular trading partner above others within the system, nor can it discriminate against foreign products and services;
2. *tend toward more freedom*, that is, toward fewer trade barriers (tariffs and non-tariff barriers);
3. *be predictable*, with foreign companies and governments reassured that trade barriers will not be raised arbitrarily and that markets will remain open;
4. *tend toward greater competition*;
5. *be more accommodating for less developed countries*, giving them more time to adjust, greater flexibility, and more privileges.

Source: www.wto.org

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## World Trade Organization (WTO)



### WTO Negotiations

- WTO predecessor was GATT, WTO formed January 1, 1995
- Negotiations occur in “rounds”
- Most recently completed round was Uruguay Round (1986-1994)
- Currently in the *Doha Round*, also known as the *Doha Development Round* (2001-?)

### Basic Principles of WTO

- Once a tariff concession is agreed to, it cannot be raised
- Most Favoured Nation (MFN)
  - Any advantage given to one country must be given to all countries
- Imported goods are treated the same as domestic goods in terms of regulation and taxes

Source: [www.wto.org](http://www.wto.org)

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## World Trade Organization (WTO)



### The basic structure of the WTO agreements

- how the six main areas fit together: the umbrella WTO agreement, goods, services, intellectual property, disputes and trade policy reviews.

Umbrella	AGREEMENT ESTABLISHING WTO		
	Goods	Services	Intellectual property
Basic principles	<b>GATT</b>	<b>GATS</b>	<b>TRIPS</b>
Additional details	Other goods agreements and annexes	Services annexes	
Market access commitments	Countries' schedules of commitments	Countries' schedules of commitments (and MFN exemptions)	
Dispute settlement	<b>DISPUTE SETTLEMENT</b>		
Transparency	<b>TRADE POLICY REVIEWS</b>		

Source: WTO (2005): Understanding the WTO

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## World Trade Organization (WTO)



### Doha Development Agenda



- 4<sup>th</sup> Ministerial Conference in *Doha*, Qatar, November 2001
  - The Ministerial Conference is the WTO's highest-level decision-making body. It meets "at least once every two years"
  - The declaration of the Doha Conference (Doha Development Agenda) provides the mandate for negotiations on a range of subjects and other work. The negotiations include those on agriculture and services, which began in early 2000.
- ⇒ The original mandate has now been refined by work at *Cancún* in 2003, *Geneva* in 2004, and *Hong Kong* in 2005.



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## World Trade Negotiations



### DEVELOPING COUNTRIES:

Broadly, the discussion about developing countries boils down to 3 main questions:

- Should developing countries be given a large amount of special treatment or should the negotiations avoid setting separate rules for separate groups?
- Should the agricultural deal accept that there are distinctly different subcategories of countries within the developing country category?
- Should special and differential treatment allow developing countries to protect themselves against trade from other developing countries?

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## World Trade Negotiations



### How to treat developing countries' problems in the negotiations' outcome?

- **Market orientation v. protection:**

whether special protection and support (for example exempting certain products from all commitments) should be allowed for developing countries to address their particular situations, or whether liberalization with some flexibility is more effective

- **Unique v. shared concerns for developing and developed countries:**

whether issues such as food security and rural development should be handled uniquely for developing countries, or whether others such as transition economies and developed countries should also be covered

Source: [www.wto.org](http://www.wto.org)

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## World Trade Negotiations



### How to treat developing countries' problems in the negotiations' outcome? (contd.)

- **Unique v. shared weaknesses among developing countries:**

whether provisions should apply generally to all developing countries, or whether specific groups of developing countries need extra provisions. Underlying this discussion is the question of whether a liberal trade regime would favour some developing countries with inherent advantages in agriculture, or whether other developing countries would be hurt by more liberal trade.

Source: [www.wto.org](http://www.wto.org)

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## World Trade Organization (WTO)



### Importance of Agriculture

- Agriculture was excluded until the Uruguay Round (1986-1994)  
⇒ **Uruguay Round Agreement on Agriculture (URAA)**
- Agriculture essential to the development of most countries in the world.
- Vital role in food security, generating income, generating foreign exchange, allocating of natural resources.
- One of the most controversial topics in WTO

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## Uruguay Round Agreement on Agriculture



### Three Pillars of URAA

- **Market access**
  - refers to the reduction of tariff (or non-tariff) barriers to trade by WTO member-states.
- **Domestic supports**
  - is structured into three categories or "boxes": Green Box, Amber Box and Blue Box
  - Uses Aggregate Measure of Support (AMS) to report trade distorting subsidy level
- **Export subsidies**
  - Limits value and volume of export subsidies



Source: [www.wto.org](http://www.wto.org)

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## World Trade Negotiations



**URAA**

### Numerical targets for agriculture

The reductions in agricultural subsidies and protection agreed in the Uruguay Round. Only the figures for cutting export subsidies appear in the agreement.

	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>		
total AMS cuts for sector (base period: 1986–88)	–20%	–13%
<b>Exports</b>		
value of subsidies	–36%	–24%
subsidized quantities (base period: 1986–90)	–21%	–14%

Least-developed countries do not have to make commitments to reduce tariffs or subsidies.

The base level for tariff cuts was the bound rate before 1 January 1995; or, for unbound tariffs, the actual rate charged in September 1986 when the Uruguay Round began.

The other figures were targets used to calculate countries' legally-binding "schedules" of commitments.

Source: WTO (2005): Understanding the WTO

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### Domestic Support "Boxes"

- **Green box**  
- *Not trade distorting*
- **Blue box**  
- *Minimally trade distorting, control production*
- **Amber box**  
- *Trade distorting, subsidies tied to price and/or production*

#### **[Red box**

- *Highly trade distorting, not permitted, empty box]*

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## Major Issues in the Current WTO Negotiations



### DOMESTIC SUPPORT

- **Overall reduction:** proposed: 3 Bands of reduction (=differences in the support permitted; higher linear cuts in higher bands)
- **De Minimis:** minimal amounts of domestic support that are allowed even though they distort trade - up to 5% of the value of production (but: are products fallen under de minimis really unworthy for attention?)
- **Blue Box:** Which constraints? Which instruments? Which reduction requirements for instruments already in the box?
- **Green Box:** which instruments? What criteria? What is really green?

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## Major Issues in the Current WTO Negotiations



### EXPORT COMPETITION

- **Export Subsidies:** Will be eliminated
- **Export Credits and Credit Guarantees (Short term):** should be provided through commercial entities. Due to lack of credit, issue of LDCs requires coordination with financial institutions
- **Exporting State Trading Enterprises:** Government financial support should be phased-out. Also monopoly power of export STE?
- **Food Aid:** How to handle? When to allow? Emergencies? Who says when we have an emergency?

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## Major Issues in the Current WTO Negotiations



### MARKET ACCESS

- **Tiered formula for tariff reductions:** already proposed (deeper cuts in higher tariffs)
- **Sensitive Products:** can be declared by each government (but: How many? Why?)
- **Special Products:** additional flexibility for developing countries: products that are important for food security or rural development (How to define and treat?)
- **Special Safeguard Mechanism:** for developing countries, based on import quantities and price triggers: in order to prevent sudden or unpredictable surges in imports or sharp reductions in import prices
- **Preferences:** quota and duty-free access for LDCs

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## Major Issues in the Current WTO Negotiations



- **OTHER ISSUES**  
e.g. Geographical Indications
  - **What about the SPS Agreement**  
= Agr. on Application of Sanitary and Phytosanitary Measures  
SPS measure and regulations to protect human, animal and plant life and health, and to help ensure that food is safe for consumption. (subject to disputes, e.g. SPS & Genetically Modified Organisms (GMOs))
- ⇒ **Also important:**
- TRIPS = Trade Related Aspects of Intellectual Property Rights
- GATS = General Agreement on Trade in Services

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