# Agriculture in International Trade Agreements

**UNIT 1: WTO Agreement on Agriculture (AoA)** 

Lesson: Agriculture in the General
Agreement on Tariffs and Trade (GATT)
and the WTO AoA provisions on Market
Access

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# **Learning objectives**

In this lesson you will:

- describe the main principles of the multilateral trading system with respect to agriculture;
- assess the structure and the general context of the WTO Agreement on Agriculture (AoA); and
- identify the main provisions of the AoA on market access.

# Why is this course important?

Global trade in food and agricultural products has grown almost three-fold in value terms over the past decade with some regions increasing net exports and others increasing net imports. Considering the importance of food imports for food security and the role of exports in generating incomes, **trade constitutes an essential component of most countries' development strategies**.

Global and regional agreements set out the rules for countries' trade policies and define the policy space available within agriculture for pursuing food security objectives. Balancing the achievement of national policy objectives with the obligations under trade agreements, such as the <u>World Trade Organization</u> (WTO) https://www.wto.org/ Agreement on Agriculture (AoA)<sup>1</sup>, is therefore critical.

In recent years, the number of **Regional Trade Agreements** (**RTAs**)<sup>2</sup> has expanded, with increasing complexity in coverage and content. RTAs tend to establish deeper trade and economic integration provisions than multilateral agreements. For these reasons, **it is critical to understand how the agricultural sector and agricultural trade are addressed in RTAs and how these are different from or similar to the corresponding WTO rules**.

This course is intended to inform you on the treatment of agriculture in the relevant WTO agreements and typical RTAs. Better understanding of agricultural trade rules is essential for policy makers to develop and implement appropriate agricultural development and food security strategies.

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<sup>&</sup>lt;sup>1</sup> The WTO Agreement on Agriculture is the main legally binding document regulating agricultural trade globally. It came into force in 1995 and it provides a framework for the long-term reform of agricultural trade and domestic policies, with the aim of leading to fairer competition and a less distorted sector.

<sup>&</sup>lt;sup>2</sup> Regional trade agreements (RTAs) are "trade agreements of a mutually preferential nature" (WTO General Council). Such RTAs include bilateral, regional or interregional free trade, economic partnership, customs union or common market types of agreements among countries, irrespective of whether they are neighbours.

#### Introduction

This lesson will provide an introduction to the General Agreement on Tariffs and Trade (GATT).

Specifically it will address the treatment of agriculture within this agreement, and the basic principles of the World Trade Organization. In this lesson, you will also be provided with the main elements of the AoA with respect to Market Access. Here are the sections that we will go through.

- 1. Introduction to the GATT and the WTO
- 2. Agriculture in the GATT
- 3. The Uruguay Round and the AoA
- 4. AoA Pillar 1: Market Access

In the next lessons, you will examine the other pillars of the AoA which refer to Domestic Support and Export Competition. You will also discuss other provisions of the AoA as well as the outcomes of the WTO Ministerial Conferences held in Bali (2013) and Nairobi (2015).

#### Introduction to the GATT and the WTO

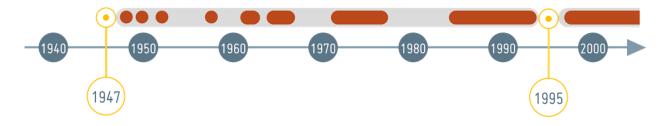
For the global trading system to function in a predictable and transparent manner, it is essential that trading partners apply a common set of rules that govern the movement of goods and services across borders.

This section presents a brief history of the multilateral trading system and discusses:

- A. Timeline
- B. Principles of the GATT
- C. GATT Exceptions

# A. Timeline

The establishment of the multilateral trading system is illustrated by the timeline below.



Key



Specific year with an important event or milestone towards establishing the GATT and the WTO.



Period of time when the GATT and the WTO are in effect.



Negotiating rounds under the GATT and WTO, with the length of the icon representing the duration of each round.

#### 1947: Establishment of GATT

In 1947, the **General Agreement on Trade and Tariffs (GATT)** was enacted to reduce the number of tariffs and trade barriers globally, and to foster international trade. The principal mechanism for negotiations within the GATT has been a series of multilateral trade negotiations or *rounds*.

#### 1947 - 1994: GATT Negotiating Rounds

The brown dots above refer to the first seven rounds of the GATT, which resulted in updates and reforms of the GATT, progressively expanding its provisions related to non-tariff-related elements of international trade.

#### 1986 - 1994: Uruguay Round

The Uruguay Round was the 8th and last round of the GATT. It culminated in a 1994 treaty that established the **World Trade Organization (WTO)**. For the first time, an **Agreement on Agriculture (AoA)** was included in the package.

#### 1995: WTO replaces GATT

In 1995, the WTO was created replacing the GATT. As at January 2017, the WTO consisted of 164 Members, accounting for more than 97 percent of world trade. The Doha Development Round of negotiations started in 2001 and is still ongoing.



For further information on the Doha Round negotiations, please go to Lesson

1.3 "The WTO AoA implementation and the Doha Round negotiations."

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# B. Principles of the GATT

The multilateral trading system represents a set of rules and agreements that are negotiated, signed and ratified by the majority of the trading countries; thus, constituting legal rules for international trade. The key principles of the **GATT 1994**<sup>3</sup> foresee that the multilateral trading system should be:

- **⇒** Non-discriminatory
- **⇒** Freer
- Predictable and transparent
- Protecting against unfair trade
- Promoting development of all countries

Principles of the trading system: https://www.wto.org/english/thewto\_e/whatis\_e/tif\_e/fact2\_e.htm

#### Non-discriminatory

This principle refers to the principles of Most-Favoured-Nation treatment (MFN)<sup>4</sup> and National treatment<sup>5</sup>.

Most-Favoured-	This is the fundamental principle of the GATT. It states that each contracting				
Nation (MFN)	party to the GATT is required to provide to all other contracting parties the				
treatment	same conditions of trade as the most favourable terms it extends to any one				
	of them, i.e., each contracting party is required to treat all contracting parties				
	in the same way that it treats its "Most-Favoured-Nation".				
National	Imported and domestic goods should be treated equally once the foreign				
treatment	goods have entered the market. Like MFN, the national treatment principle				
	applies to trade in goods, trade in services, and trade-related aspects of				
	intellectual property rights, with some exceptions.				

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<sup>&</sup>lt;sup>3</sup> Annex 1A of the WTO agreement, which established the World Trade Organization, contains the so-called GATT 1994, which is the initial agreement, signed in 1947, as modified subsequently. That way the GATT 94 is a component of the WTO agreement.

<sup>&</sup>lt;sup>4</sup> Under the non-discriminatory principle of the GATT it states that each contracting party to the GATT is required to provide to all other contracting parties the same conditions of trade as the most favourable terms it extends to any one of them, (i.e., each contracting party is required to treat all contracting parties in the same way that it treats its "most-Favoured-Nation")

<sup>&</sup>lt;sup>5</sup> Under the non-discriminatory principle of the GATT it states that imported and domestic goods should be treated equally once the foreign goods have entered the market.

# Freer

This principle refers to lowering trade barriers through negotiations. Trade barriers include: customs duties, quantitative restrictions, such as quotas, and rules concerning other non-tariff barriers, such as customs procedures and technical regulations and standards.

Through rounds of negotiations, the Members are aiming at reducing these trade barriers and achieving more liberal trade.

#### Predictable and transparent

This principle refers to bound tariff rates and market-opening commitments that cannot be changed arbitrarily, as well as rules that have to be followed by Members. Fundamental to a transparent system of trade is the need to harmonize the system of import protection, so that barriers to trade can then be reduced through the process of negotiations. The GATT therefore generally eliminated the use of quantitative restrictions, including specifically on agricultural and fisheries products, under certain conditions. In addition, the GATT, and now the WTO, required many notifications from contracting parties on their trade policies so that the implementation can be reviewed to ensure compatibility with the commitments undertaken.

# Protecting against unfair trade

This principle refers to disciplines on the use of "unfair" practices. Based on the principles described above, the rules aim to support fair and undistorted competition. These include some highly technical and complex provisions that relate to specific elements of "unfair" trade, such as dumping and subsidies.

#### Promoting development of all countries

This principle refers to special provisions in favour of developing and least-developed countries (LDCs)<sup>6</sup>. There is a need for specially designed measures ensuring that developing countries and LDCs can be integrated into the multilateral trading system. **Special and Differential Treatment** refers to the special provisions allowing developing countries to benefit from specific more flexible provisions. These originated in the GATT and were later extended in the WTO. Special and Differential Treatment includes:

- longer time periods for implementing agreements and commitments;
- measures to increase trading opportunities for these countries;
- provisions requiring all WTO Members to safeguard the trade interests of developing countries;

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<sup>&</sup>lt;sup>6</sup> Least developed countries (LDCs) are low-income countries confronting severe structural impediments to sustainable development. They are highly vulnerable to economic and environmental shocks and have low levels of human assets.

- support to help developing countries build the infrastructure to undertake WTO work, handle disputes, and implement technical standards; and
- provisions related to least-developed country (LDC) Members.

# **GATT Exceptions**

The GATT recognized that there are circumstances in which strict adherence to these principles would be inappropriate. The GATT therefore provided for **exceptions and waivers**.

General exceptions	For example, policy measures that are considered "necessary" to protect					
	public health provided that the application of these measures does not					
	constitute arbitrary or unjustifiable discrimination or a disguised					
	restriction on international trade.					
<b>Customs Unions and</b>	Countries that offer each other more favourable treatment within a					
Free Trade Agreements	custom's union or a Regional Trade Agreement (RTA) were allowed to					
	waive full adherence to the MFN clause. Under certain conditions, WTO					
	Members are permitted to enter into special arrangements with another					
	partners (or a group of partners). More on the WTO website: The WTO's					
	Regional Trade Agreement Rules					
	www.wto.org/english/tratop_e/region_e/regrul_e.htm					
Others	Others include exceptions related to national security or balance of					
	payment problems. They also include waivers, for example permissions					
	granted by WTO Members allowing another WTO Member to not comply					
	with its normal commitments.					

# The key points to remember

## Establishment

The WTO, which came into effect in 1995, resulted from the earlier GATT, which came into effect in 1947.

# (2) Key principles

The WTO agreements contain a set of rules that govern international trade.

The key principles foresee a trading system that should be non-discriminatory; freer; predictable and transparent; protecting against unfair trade; and promoting development of all countries.

# (3)

#### **Exceptions and Waivers**

The GATT provided for exceptions and waivers, for circumstances in which strict adherence to these principles would be inappropriate.

# **Agriculture in the GATT**

International trade in agriculture products had been subject to the rules of the multilateral trading system since the entry into force of the GATT back in 1947. However, there were two places where exceptions were made for agriculture. These refer to Quantitative Import Restrictions and to Subsidies. In this section we will examine:

- A. Overview of Agriculture in the GATT
- B. Quantitative Import Restrictions
- C. Subsidies

#### A. Overview of Agriculture in the GATT

Agriculture was seen as a unique sector of the economy that, for various reasons including national food security, could not be treated like other sectors. Although agriculture was included in the GATT, there were several important differences with respect to the rules that applied to agricultural primary products as opposed to industrial products. The treatment of agriculture in GATT resulted in distortions in world agricultural markets. It was not until the Uruguay Round that agriculture, as a sector, was eventually placed firmly on the GATT negotiating table.



#### Agricultural products in the GATTT prior to the Uruguay Round

Certain agricultural products did previously appear in the GATT negotiations, as individual commodities. The Dillon Round succeeded, for example, in cutting tariffs on soya beans, cotton, vegetables and canned fruit to very low levels, and a revised International Wheat Agreement and the International Dairy and Meat Agreement were negotiated under the auspices of the Kennedy Round.

The two exceptions for agriculture in GATT that were most striking are Quantitative import restrictions, and Subsidies to agricultural producers.

#### **B.** Quantitative Import Restrictions

Distortions resulting from exception for agriculture in the commitments on quantitative import restrictions was one major factor in including agriculture as a sector in the Uruguay Round of the GATT. Quantitative import restrictions, banned for all other commodities, **could be used in the case of agriculture to reinforce the countries' agricultural support programmes**. Notwithstanding the conditions attached to import restrictions under Article XI of GATT, many non-tariff barriers were applied to imports without maintaining minimum import access. As a result, **agricultural trade remained heavily protected**. The following decades after the establishment of GATT were plagued by distortions in world agricultural markets driven by high levels of protection to agriculture in particular in developed countries.

#### C. Subsidies

Another major factor in including agriculture as a sector in the Uruguay Round of the GATT were distortions resulting from exception for agriculture regarding subsidies. The use of agricultural export subsidies was **explicitly permitted**, **provided that these do not result in the subsidizing party having more than an equitable market share** (Article XVI:3).

However, "equitable" was difficult to define and agricultural export subsidies proliferated. This provision referred to primary products and was taken to include primary agricultural products. The lack of legal precision meant that some Members used export subsidies to dispose of excess production on the world market. Furthermore, **many Members used various measures to subsidise domestic production**. This induced other countries to do the same, thereby creating a vicious circle of depressing world market prices.

#### The key points to remember

- Although agriculture was included in the GATT, there were several exceptions for agriculture as opposed to industrial products.
- The most striking exceptions for agriculture were contained in the disciplines on Quantitative import restrictions and Subsidies



Distortions resulting from such exceptions were some of the major factor in including agriculture as a sector in the Uruguay Round of the GATT.

# The Uruguay Round and the Agreement on Agriculture (AoA)

In the lead-up to the Uruguay Round negotiations, it became clear that the causes of disarray in world agriculture could not be addressed without changes in the GATT. This section will briefly discuss these changes and the following:

- A. Uruguay Round: Changes in Trade Rules
- B. Context that led to the Uruguay Round
- C. Main Elements of the WTO AoA

#### **Uruguay Round Agreement: AoA:**

https://www.wto.org/english/thewto\_e/whatis\_e/tif\_e/fact5\_e.htm

# A. Uruguay Round: Changes in Trade Rules

The Uruguay Round produced numerous changes in the trade rules in particular for trade in agricultural products. The below are some examples.

- Many old rules were clarified
- ✓ A new system for settling disputes was agreed
- ✓ New areas brought within the rules
- ▼ The first multilateral Agreement on Agriculture was concluded
- ▼ The first multilateral Agreement on Sanitary and Phytosanitary Measures was concluded

#### B. Context that led to the Uruguay Round

In the lead-up to the Uruguay Round negotiations, it became clear that the causes of disarray in world agriculture could not be addressed without changes in the GATT. In the aftermath of the Second World War, in an effort to improve agricultural production and productivity and to stabilize food prices, many countries adopted land reform measures, market price support programmes, and import barriers. Increased production, due to the aforementioned policies, in particular in the developed countries, together with a sharply increased agricultural productivity resulted in almost permanent surpluses.

This in turn led to huge government stocks and increasing use of export subsidies to dispose of these surpluses on world markets. That tended to depress the world prices and make them more unstable, leading to a vicious circle of further intervention in markets.

#### C. Main Elements of the WTO AoA

The WTO Agreement of Agriculture (AoA) entered into force on January 1995, and since then constitutes the main legally binding document regulating agricultural trade globally. As the preamble to the Agreement recognizes, the AoA serves as the basis for initiating a process of reform in agricultural trade, in line with the long-term objective of establishing a fair and market-oriented agricultural trading system.

#### Agreement on Agriculture: https://www.wto.org/english/docs\_e/legal\_e/14-ag\_01\_e.htm

The Agreement also takes into account non-trade concerns, including food security and the need to protect the environment, and provides special and differential treatment for developing countries. As per its Article 2, the Agreement covers agricultural products, the tariff lines of which are identified in its Annex 1. These include processed products, but not fish, fishery products and forestry products. The main policy areas regulated by the AoA are market access, domestic support and export competition (these are referred to as the pillars of the AoA). Other rules in the AoA are also outlined below.

#### **AGREEMENT ON AGRICULTURE (AoA)**

MARKET ACCESS	DOMESTIC SUPPORT	EXPORT COMPETITION	OTHER RULES
Tariffs:  ✓ Tariffication	Green box	Export subsidies	Export prohibitions and restrictions
Tariff rate quotas	Blue box	Anti-circumvention  ✓ Food aid  ✓ Export credits	Special and differential treatment
Special safeguards	Development box		The Marrakesh Decision on LCDs and NFIDs
	Amber box  ✓ De minimis		Continuation of the reform process

Market access (Article 4, 5 and Annex 5): Tariffs, quotas and other restrictions affecting imports

Domestic support (Article 3, 6, 7 and Annexes 2, 3, 4): Support to farmers under agricultural support programmes.

**Export competition (Article 3, 8 - 11)**: Subsidies and other payments that serve specifically to expand exports.

**Other rules** include elements that are not part of the three pillars, as outlined above. These rules are referenced in articles 12, 15, 16 and 20 of the AoA.

It has to be noted that the AoA has to be read in conjunction with the "**Schedules of Commitments**" of each Member, namely legally binding tables that list in detail each Member's specific commitments on market access, domestic support and export subsidies. Furthermore, for the newly acceding countries these have to be read in conjunction with the protocols of accession.

# The key points to remember

- In the lead-up to the Uruguay Round negotiations, it became clear that the causes of disarray in world agriculture could not be addressed without changes in the GATT.
- The WTO AoA intends to create a fair and market-oriented agricultural trading system by imposing limits on policies that create distortions in agricultural production and trade.
- The AoA contains rules that regulate the following "pillars": market access, domestic support and export competition.

#### **AoA Pillar 1: Market Access**

In this last section we will examine the first policy area (pillar) entitled Market Access.

The discussion will focus on the following elements of the Market Access pillar.

- A. Tariffication
- B. Tariff Reduction
- C. Tariff Binding

We will also discuss the below special provisions that were agreed on as part of the tariffication package:

- D. Tariff Rate Quotas (TRQ)
- E. Special Agricultural Safeguards (SSG)

The market access provisions set the conditions for the entry of goods into markets of WTO Members, regulating restrictions on market access. One significant achievement of the AoA was the prohibition of border measures other than ordinary customs duties. This effectively means that tariffs are normally the only border protection measure allowed. Article 4.2 of the AoA spells in detail the measures that are prohibited. These measures include:

Quantitative trade restrictions

Variable import levies

Minimum import prices

Discretionary import licensing

Non-tariff measures maintained by state trading enterprises

Voluntary export restraints

Similar border measures other than ordinary customs duty

We will describe the market access rules under the AoA since it entered into force in 1995.

#### A. Tariffication

According to the AoA, Members would establish a base rate of duty i.e. a tariff rate that was being applied for each agricultural **tariff line<sup>7</sup>** covered by the AoA at a given base period. Members agreed to convert non-tariff measures, as they existed during the 1986 - 1988 base period, into tariff equivalents. As shown here, this process is called **tariffication**.

 Non-tariff barriers by state trading enterprises

NON – TARIFF MEASURES<sup>8</sup> →

✓ Voluntary export restraints

**TARIFFICATION** 

- ✓ Discretionary import licensing
- ✓ Variable import levies
- ✓ Minimum import prices
- ✓ Quantitative Restrictions

<sup>&</sup>lt;sup>7</sup> Tariff lines are products defined at a highly detailed level for the purpose of setting import duties. The World Customs Organization's (WCO) Harmonized System (HS) uses code number to define products. A code with a low number of digits defines broad categories of products; additional digits indicate subdivisions into more detailed definitions. Six-digit codes are the most detailed definitions that are used as standard at international level i.e. common to all Members of the WCO. Products defined at the most detailed level are "tariff lines".

<sup>&</sup>lt;sup>8</sup> In agri-food markets, they are policy measures, other than ordinary customs tariffs, that can potentially have an economic effect on international trade in agricultural goods, changing quantities traded, prices or both.

As a result of the Uruguay Round, WTO Members can only use ordinary customs duties to restrict imports of agriculture goods with very few, well-defined, exemptions.

## **Examples of NTMs: SPS and TBT Agreements**

NTMs also include Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) measures. They also include licensing procedures and other administrative and bureaucratic requirements. These can become an impediment to trade. As a result of the Uruguay Round, separate agreements such as SPS and TBT were agreed upon to regulate the application of these measures. Please note that SPS and TBT Agreements will be discussed in Unit 2 of this course.

#### **B.** Tariff Reduction

Members would then commit to reducing these base rates of duty by a certain percentage over a certain period. At the end of this period, the prevailing level of duty will become the final **bound tariff**<sup>9</sup> for each tariff line.

Tariff reduction<sup>10</sup> is the obligation to reduce the base rates of duty (both those resulting from the "tariffication" process and existing tariffs on agricultural products) to a final bound rate by the end of the implementation period. Under the Uruguay Round reform programme, the level of reduction and length of the implementation period differed for developing and developed countries. Least-developed country (LDC) Members were not required to undertake tariff reductions. The base rates of duty and the minimum percentage cuts were used by Members to prepare their Country Schedules of Commitments. It is the commitments listed in the schedules that are legally binding.

	Developed Countries	Developing Countries		
	Implementation Period (6 Years):	Implementation Period (10		
	1995 - 2000	Years): 1995 - 2004		
Average cut for all agricultural	36%	-24%		
tariff lines				
Minimum cut per tariff line	-15%	-10%		

<sup>&</sup>lt;sup>9</sup> The tariff rates that a country commits not to exceed. Countries can apply any level of tariffs less than or equal to the bound tariff.

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<sup>&</sup>lt;sup>10</sup> The obligation, in the AoA,to reduce the base rates of duty (both those resulting from the "tariffication" process and existing tariffs on agricultural products) to a final bound rate by the end of the implementation period.

#### c. Tariff Binding

After the end of the implementation period, a final bound level of tariff applies. Actual tariffs that the countries apply (applied tariffs) on agricultural products can be at any level less than or equal to the bound level for that product.

Tariff binding<sup>11</sup> is the prohibition for tariffs to exceed a legally committed level i.e. bound tariffs. Countries can apply any level of tariffs less than or equal to the bound tariff. Exceptions to this rule apply as the result of the implementation of other WTO agreements. It is important to note that not all countries did the tariffication exercise. Developing countries had the option to "offer" what is called as "ceiling binding" of tariffs.

That is, they could offer ceiling rates as they chose. If there were no objections by other WTO Members, these ceiling rates would be the WTO bound rates for these countries. Most developing countries chose this method to establish the bound rates.



# What is meant by bound tariffs and applied tariffs?

In the WTO terminology, "bound tariffs" are the rates that a country commits not to exceed. By contrast, "applied rates" refer to tariffs that are actually applied at any given point in time. The basic rule is that applied rates may be lower but must not exceed the bound rates. It is for that reason that bound rates have special significance as they limit the ability of a country to vary tariffs. In the GATT, and now the WTO, tariff negotiations amounted to reducing the bound rates. The experience of the past 10 years shows that applied tariffs of most developing countries are well below the bound rates, while they are closer to the bound tariffs in the case of the developed countries.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	Bound tariffs
Developed countries	22.8	22.5	17.9	16.9	21.1	18.3	18.6	17.8	16.7	40.1
Developing countries	16.4	15.8	15.5	15.3	15.1	15.0	14.8	14.3	14.3	52.2
LDCs	15.0	15.0	14.8	15.2	15.2	15.2	15.3	15.7	15.5	75.6

<sup>&</sup>lt;sup>11</sup> The prohibition for tariffs to exceed a legally committed level i.e. bound tariffs.

Source: Calculations based on World Tariff Profiles 2008-2016. Further details on the data source can be found at: https://www.wto.org/english/res\_e/reser\_e/tariff\_profiles\_e.htm. Product coverage is based on Annex 1 of the Agreement on Agriculture. Country groups are classified according to WTO World Trade Statistical Review 2016.

https://www.wto.org/english/res\_e/reser\_e/tariff\_profiles\_e.htm

The Agreement on Agriculture is the first step towards reducing distortions to global trade in agricultural products. However, some features, such as tariff escalation<sup>12</sup> and tariff peaks<sup>13</sup>, remain affecting mostly developing countries' exporting capacity.

# D. Special Agricultural Safeguards (SSG)

As part of the tariffication package, special provisions were agreed upon with regard to the Special Agricultural Safeguards (SSG)<sup>14</sup> under Article 5 of the AoA. The **SSG** is a measure, taken temporarily, that permits an importing country to charge duties higher than the WTO bound rate when faced with import surges. The SSG is available only to those products that were "tariffied" and for which the right to resort to the SSG was reserved by placing the label "SSG" in country Schedules. There are two types of surges that trigger the SSG:

- 1. When import volumes surge beyond some defined threshold.
- 2. When import prices fall below a previously defined threshold.

In both cases, the extra duty applicable depends on the extent of the surge, relative to the defined thresholds. In the Uruguay Round, 38 WTO Members reserved the right to use SSGs for selected products. As the majority of the developing countries did not opt for the tariffication process, and offered "ceiling bindings", very few of them have access to the SSG.

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<sup>&</sup>lt;sup>12</sup> The imposition of higher import duties on semi-processed products than on raw materials, and even higher on finished products. This practice protects domestic processing industries and discourages the development of processing activity in the countries where raw materials originate. It has the potential to afford significant protection to processed products, depending on the share of value-added in final output.

<sup>&</sup>lt;sup>13</sup> Rates that were set higher than the rates across the same product group or product sector. For some products, which governments consider "sensitive", tariff rates remain very high. Usually, this refers to bound tariffs on sensitive products such as cereals, meat, dairy products or sugar.

<sup>&</sup>lt;sup>14</sup> Temporary increase in import duty to deal with import surges (volume based mechanism) or price falls (price based mechanism), under provisions that are special to the Agriculture Agreement.

#### E. Tariff Rate Quotas

As part of the tariffication package, countries agreed that quantities imported before the agreement took effect by each member state should be made possible to import under the AoA. This was achieved through two provisions.

#### "Current access guarantee" provision

Countries are, required to maintain current levels of access, for each individual product, where the current level is based on the volume of imports during the base period (1986-88).

#### "Minimum access commitment" provision

Where the current level of imports is negligible, a minimum access should be established at not less than 3 percent of domestic consumption during the base period, rising to 5 percent by the year 2000 in the case of developed countries, and by 2004 in the case of developing countries.

A system of "Tariff Rate Quotas (TRQ)15" was established with:

- lower tariff rates for imports within the specified quantitative limits, and
- rates (up to the bound level), for quantities that exceed the quota.

#### The key points to remember

- The schedule of bound tariff commitments that each country submitted to the WTO sets the maximum or bound tariff that any country can apply to an agricultural import.
- The following points summarize the key messages on the market access provisions in the AoA.
- As part of the tariffication package, special provisions were agreed on with regard to the Special Agricultural Safeguards (SSG) as well as Tariff Rate Quotas (TRQs).

<sup>&</sup>lt;sup>15</sup> When quantities inside a quota are charged lower import duty rates, than those outside (which can be high).

#### **Course Overview**

#### **UNIT 1: WTO Agreement on Agriculture (AoA)**

#### 1.1 Agriculture in the GATT and the WTO AoA provisions on Market Access

This lesson will describe the main elements of the WTO AoA provisions on domestic support and export competition. It also discusses other relevant provisions and rules in the AoA that do not fall under the three pillars.

# 1.2 The WTO AoA provisions on Domestic Support and Export Competition

This lesson will provide an introduction to the GATT, addressing the treatment of agriculture within this agreement, and the basic principles of the WTO. It also identifies AoA provisions with respect to market access.

#### 1.3 The WTO AoA implementation and the Doha Round negotiations

This lesson describes the main elements of the AoA with respect to its implementation. It also describes the key concerns in the agriculture negotiations of the Doha Round, focusing on the outcomes of the two most recent WTO Ministerial Conferences held in Bali (2013) and Nairobi (2015).

#### UNIT 2: Non-Tariff Measures (NTMs) in agriculture and related WTO agreements

# 2.1 Introduction to NTMs in agriculture, the WTO Agreement on the Application of Sanitary and Phytosanitary (SPS) measures

This lesson will describe the concept and significance of NTMs and describe the principles and main provisions of WTO Agreement on the application of SPS measures and discuss the functions of SPS Committee.

# 2.2 The WTO Trade Facilitation Agreement, Technical Barriers to Trade (TBT) Agreement and other related rules

This lesson will provide an overview of Trade Facilitation Agreement (TFA) and its main objectives. It also discusses TBT Agreement as well as other WTO agreements that contain rules for trade-related procedures.

# **UNIT 3: Agriculture in Regional Trade Agreements (RTAs)**

#### 3.1 Trends in Regional Trade Agreements (RTAs)

This lesson will present the definition and main trends of RTAs, motivations of concluding such Agreements and issues regarding RTAs.

#### 3.2 RTA provisions on tariffs, TRQs, SPS and TBT

This lesson will examine how RTAs deal with market access issues such as tariffs, TRQs, SPS and TBT measures and compare relevant RTA provisions with the WTO rules.

# 3.3 RTA provisions on Export Restrictions & Export duties and Rules of Origin

This lesson will examine RTA provisions on export restrictions, export duties and rules of origin, in particular with regard to agricultural products.

## **Lesson Summary**

## In this lesson you have learnt that:

- In 1995, the WTO replaced the earlier General Agreement on Tariffs and Trade (GATT). The WTO agreements contain a set of rules that govern international trade.
- The key principles of the WTO foresee a trading system that is non-discriminatory; freer;
   predictable and transparent; protecting against unfair trade; and promoting development in all countries.
- The WTO AoA intends to create a fair and market-oriented agricultural trading system by imposing limits on policies that create distortions in agricultural production and trade.
- The AoA covers agricultural products, but does not include fish, fishery products and forestry products. The main policy areas "pillars" regulated by the AoA are market access, domestic support, and export competition.
- Elements of Market Access rules of the AoA concern tariffs, tariff rate quotas and other restrictions affecting imports.