

Increasing the Potential for Successful Agricultural Trade Negotiations in the WTO

Statement of

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to

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Food is essential for human and animal life, and farming occupies a special place in most countries. This is reflected in the discussions among the 164 Members of the WTO. While the share of agriculture in world merchandise trade is estimated at just 10%, it occupies a central concern for every Member, whether its trade is primarily concentrated on exporting or importing. In previous GATT/WTO Rounds of trade negotiations, it has more often than not been the case that without progress on agriculture, it proved to be difficult for there to be movement on other issues. Agriculture could be said to be at the heart of the multilateral trading system. Ultimately, reform of agriculture trade is a yardstick for assessing whether the WTO has been successful in achieving its fundamental objective of contributing to enhanced living standards of people in the world.

Agriculture has always been a politically sensitive issue for the Members of the WTO given its pivotal role in the overall economy in terms of providing food, as an input to industry and ensuring the food security for our Members' peoples, as well as being a vitally important export for a number of Members. During the GATT years, from 1948 to 1995, disciplines on agriculture were quite weak enabling the GATT contracting parties to erect and maintain high tariff walls, make extensive use of non-tariff barriers, grant trade-distorting support to their farmers and provide export subsidies to their exporters. The Agreement on Agriculture (AoA), which was signed as part of the Uruguay Round in 1993, the negotiation that founded the WTO, was the first successful effort to discipline trade-distorting practices in the sector.

With respect to market access, the AoA required the conversion of non-tariff barriers not maintained under other WTO provisions (like SPS measures) to tariffs by Members maintaining such measures. It mandated that developed countries to reduce their tariffs on the average by 36% over six years and for the developing countries by 24% over ten years starting from 1995. Developed and developing countries respectively had to make a minimum cut of 15% and 10% to each tariff line. Least-developed countries were exempted from reduction commitments.

Regarding domestic support, the AoA mandated that developed and developing countries reduce their Aggregate Measurement of Support (AMS) by 20% over six years and by 13.3% over ten years, respectively. The *de minimis* entitlements for developed and developing countries to maintain trade distorting support were fixed at 5% and 10% of the value of production, respectively. It should be mentioned, however, that in the accession of China and Kazakhstan, their *de minimis* entitlement was fixed at 8.5% of the value of production.

With regard to export competition, commitments were undertaken by Members with respect of the volume of subsidised exports and the level of expenditure. Whereas developed countries committed to reduce the volume of their subsidised exports by 21% and the level of their expenditure by 36% over six years, developing countries undertook to reduce their volume of subsidized exports by 14% and their level of expenditure by 24% over 10 years.

Developing country Members also benefitted from additional Special and Differential Treatment provisions, like the "Development Box" in Domestic Support which permitted them to grant input and investment subsidies to their resource-poor farmers or the possibility to use some categories of export subsidies such as transportation subsidies under Article 9.4 of the AoA.

While the Uruguay Round results were reasonably impressive considering the weakness of agriculture disciplines during the GATT years, the WTO Members committed themselves in the AoA to further reform the multilateral trading system with respect to agricultural trade. This carried with it the strong implication that they were convinced that further reform was necessary to fully subject the agriculture sector to market-oriented disciplines, enhance competitiveness and also to address the food security concerns of countries. It can be said that Members realised that the AoA was a first step in realising fully the benefits of a market-oriented system for stakeholders, including farmers, processors and consumers.

Negotiations began in earnest in 2000 under the auspices of the Special Session of the Committee on Agriculture. The negotiations were folded into the Doha Round when it commenced in 2001. While significant progress has been made in agriculture negotiations such as the adoption of the Ministerial Bali Decision on Public Stockholding for Food Security Purposes in 2013 and the Ministerial Decision in Nairobi in 2015 to eliminate export subsidies and regulate measures having equivalent effect, no further negotiated progress has been made in the fields of domestic support and market access.

At the Buenos Aires Ministerial Conference in December 2017 (MC-11), Members did not come to an agreement on a Permanent Solution for the Public Stockholding for Food Security Purposes as mandated by Ministers and an overall work programme to guide the work of the Special Session. Notwithstanding this apparent setback, Members vowed to press ahead with agricultural reform on the basis of Article 20 of the AoA and other Ministerial mandates. It was the view of Members that a fresh mandate was not necessary as there was in any event a built-in agenda in the AoA, to which all Members had already agreed to.

With the appointment of Ambassador John Deep Ford of Guyana in April 2018, there has been increased activity in the Committee. To create a positive atmosphere for negotiations to take place, the Chairman encouraged Members to engage in facts-based discussions to determine the evolution and trends in all types of support provided by Members as well as to acquaint themselves with the real market access barriers (tariff and non-tariff barriers) facing countries. Emphasis was put on enhanced transparency, getting Members to fulfil their notification obligations and ensure that any new disciplines that may be agreed will be relevant in terms of taking into account the realities on the ground today.

The Secretariat organised two symposia in June 2018 and June 2019 in the margins of meetings of the Committee on Agriculture. They helped shed light on the contemporary challenges facing the agriculture sector, including climate change and increasing protectionism through increased tariffs and the grant of trade distorting support. They also provided insights into the opportunities that could be realised from digitalisation (precision farming) and the reduction of tariff and non/tariff barriers.

Earlier this year, the Chair created seven Member-led Working Groups on the negotiating topics that remain outstanding -- Domestic Support, Public Stockholding, Market Access, Special Safeguard Mechanism, Export Competition, Export Restrictions and Cotton, with a view to taking stock and assessing the potential for negotiations in the respective areas and how the gaps in Members' positions may be bridged.

The Working Group process showed what needed to be done to resolve the outstanding issues, and also regrettably revealed that Members' positions on these issues have not evolved since the Buenos Aires Ministerial Conference and that if an outcome is to be reached at the Nur-Sultan Ministerial Conference in June 2020, Members needed to re-double their efforts and show flexibility wherever possible.

Most Members agree that **domestic support** should be given priority in negotiations. According to the latest figures from the OECD, the total support provided to the agriculture sector by the 53 countries covered in its latest report in the period 2016-2018 amounted to USD 705 billion, out of which USD 530 billion was provided to producers. When incorporating the impact of agricultural policies that tax producers with measures that depress domestic prices like in Argentina and India, the support to producers still represents close to USD 450 billion, which is almost twice the level in 2000-2002. It is also noteworthy that whereas the total support provided by emerging economies was around USD 20 billion in that period, it is now around USD 200 billion, corresponding to an increase from 4% to 9% of the value of production (13% if not taking into account Argentina and India) but still below the average level for OECD countries at around 18%.

While the methodology used in the OECD includes all forms of transfers to producers, including the effect of border measures and non-distortive support, this indicates a clear upward trend in the provision of support to farmers. At the Special Session of the Committee on Agriculture, Australia, Canada, New Zealand and other members of the CAIRNS Group have noted that with increased production and the rising value of most commodities, total trade distorting support entitlement is on track

to exceeding USD1 trillion for the top ten producing countries. Clearly, this is not sustainable and action is needed to bring the level of support down. Market shares should not depend on the amount of subsidies being provided by a government, but on the competitiveness of the farmer/processor.

In the current discussions, the Chair has urged Members not to have any red lines and that all types of support (AMS, *de minimis*, Art 6.2 – support that can only be provided by developing countries – Blue Box, Green Box) should be looked at with a view to agreeing on which types of support should be disciplined and how this could be accomplished. Product-specific disciplines are amongst the options that have been discussed for AMS and to a lesser extent for the Blue Box. The idea of having an overall limit on the trade distorting support that could be provided by Members is also being considered. The objective is to substantially reduce the support being provided by Members to their agricultural sector, so that farmers everywhere could have the possibility to compete. Reducing trade distorting support will not only enhance efficiency and allow for the optimal use of the world's limited resources, but it will also yield positive environmental outcomes.

On **Public Stockholding for Food Security Purposes** (PSH), the negotiating positions of Members have not evolved since the Buenos Aires Ministerial Conference. Developing countries insist on the adoption at the latest by the Nur-Sultan Ministerial Conference of a Permanent Solution on the PSH issue in accordance with the Bali and Nairobi Ministerial mandates. This view is not shared by the non-proponents who have been demanding more information about such programmes from developing countries which currently maintain them to determine if the programs are justifiable and about food security and not primarily another measure of domestic support, with the potential of disrupting world markets. Proponents of the Permanent Solution would like it to cover all the new programmes by developing country Members without any additional limitations and insist that the transparency and safeguard provisions should not be so onerous as to prevent them from making use of it. The non-proponents are seeking stronger safeguards and transparency provisions, given the potential of such schemes to have a negative impact on other Members' exports and their food security. The Chair believes that technical discussions have been exhausted and with the required political will and flexibility, Members should be able to make progress on this issue.

Regarding **Market Access**, while it is important for many Members, including Australia, there is the view that an ambitious outcome at Nur-Sultan may not be attainable. To date, the discussions have not focussed on tariff reductions even though the average bound and applied tariffs on agricultural products are 55% and 15%, respectively, while those for non-agricultural products are 29% and 8%, respectively. Several Members have a defensive interest, with some insisting that market access for agricultural products cannot be addressed in isolation and that it is important for there to be parallel movement in the negotiations on non-agricultural products and trade in services. Consequently, the Chair is thinking of an incremental outcome in this area. He believes that transparency in this area would provide a solid basis for negotiations on the most difficult issues. He is exploring the possibility of Members agreeing to notify the AVEs of their specific and technical tariffs and also on the treatment of goods *en route* when Members change their applied tariffs.

On the **Special Safeguard Mechanism (SSM)**, a significant number of Members continue to insist that without new market access commitments, it is not possible to have a special safeguard mechanism, as it would dilute existing market access commitments of developing countries. By contrast, developing countries insist that to protect their farmers they need such a mechanism to deal with import surges and price depression. The Chair recognizes the difficulty of making progress on this issue in time for an outcome at Nur-Sultan.

On **Export Competition**, while welcoming the Nairobi Ministerial Decision of 2015, a number of Members still consider that there is room for improving the agreed disciplines in relation to export credit guarantee schemes, agricultural state trading enterprises and international food aid. It would appear from the discussions that Members have not ascribed priority to these negotiations and would be content with provisions which would enhance transparency in the monitoring of the Nairobi disciplines.

Regarding **Export Restrictions**, the Chair believes that it is possible for an agreement to be reached if dedicated efforts are made by the proponents to address the outstanding issues. Most Members believe that the draft Buenos Aires Minister-Facilitator Decision can serve as a basis for an agreement. It would appear that the language in that text on advance notice and on the exemption of purchases made on a commercial basis by the World Food Programme is broadly acceptable to most Members. However, a few exporting developing country Members still have reservations due to a perceived risk of additional administrative burdens and possible compromise of their own food security. The Chair believes that it should be possible for agreement to be reached on this issue. However, a number of Members have stated that they cannot agree to a standalone decision on this issue and that it should be part of a broader outcome on agriculture.

With respect to **cotton domestic support**, while great progress has been made on the development aspects, the same could not be said of the negotiating track, despite genuine efforts by the Chair and technical work that has been accomplished. A number of key players would not like to see cotton domestic support addressed in isolation. With the stalemate in the negotiations on domestic support, it is difficult to for progress to be made separately on this issue in time for the Nur-Sultan Ministerial Conference. Notwithstanding this, the Chair is hoping that the proposal submitted in July 2019 by the Cotton Four countries would generate some momentum in the negotiations.

Conclusion

It would be misleading to imply that the road ahead for agricultural negotiations will be easy. It never has been. That said, WTO Members realise the importance of agriculture in the multilateral trading system and would work towards to achieving a balanced outcome in the negotiations. A number of Members have stated that agriculture is their priority area and would like to see a substantive outcome at Nur-Sultan.

The Chair circulated a Reflections and Options Paper in July and Members are expected to react to it in the last week of September at the Committee on Agriculture

in Special Session. Based on the reactions of Members, in November/early December it should be possible to gauge what may be feasible for Nur-Sultan. Prioritisation of the issues will be important, as it is clear that not all the issues are mature for a decision at Nur-Sultan in June 2020. Issues which do not gain traction in the preparatory process for Nur-Sultan can be taken up after the Conference with a view to achieving an outcome at the subsequent Ministerial Conference.

With the emerging challenges such as variations in climate, it is important for the agricultural sector to be subjected to market-oriented disciplines to enhance its efficiency and enable it to feed the growing world population, which is estimated to reach 9 billion by 2050. It is encouraging to note that international trade in agricultural products excluding intra-EU trade has increased from USD 765 billion in 2010 to USD1 trillion in 2017. While this may suggest that trade will take place regardless of progress in WTO negotiations, it is important to remember that the expansion in world trade has taken place within a predictable trading regime made possible by WTO rules. Should the ongoing negotiations succeed, they will strengthen the current framework and facilitate a further expansion of world trade in agricultural products.

The digitalization of agriculture and the development of global agricultural supply chains hold great promise for the world and as such profound care should be taken to ensure that regulatory systems enacted by governments do facilitate innovation and not stifle progress. Farmers and other actors involved in agriculture can now have access to data on seeds with the best yields, weather patterns, soil and crop conditions and pest prevalence and can as a result make pertinent production, marketing and financing decisions in real time. Likewise, E-Commerce has made it possible for farmers to look beyond their state and national borders and distribute their products further afield and enhance their incomes thereby effectively dealing with poverty in some parts of the developing world.

Liberalisation of the agriculture sector will not only benefit farmers and processors in terms of increased incomes, but also consumers and countries which shall see an enhancement of their food security. In that regard, I urge farm organizations to work closely with their governments to advance proposals that would enable the Members of the WTO to make progress in negotiations. You have a stake in the multilateral trading system. You should do whatever is necessary for progress to be made. You should work with your counterparts in other countries and encourage governments to adopt ambitious positive positions around which consensus can be built. A strengthened rules-based multilateral trading system will contribute to the realization of the full potential of the agriculture sector to produce adequate and nutritious food for humankind and also to serve as an input for other sectors to contribute to the expansion of the global economy and alleviate poverty in furtherance of the United Nations Sustainable Development Goals.

Thank you.