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*Agriculture in the WTO: Policy Commitments Made Under
the Agreement on Agriculture*

Randy Schnepf, Resources, Science, and Industry Division

May 12, 2005

Abstract. This report provides a review of the major agricultural policy commitments made by members of the World Trade Organization (WTO) during the Uruguay Round of multilateral trade negotiations completed in 1994, and the legal text that underlies those commitments. Most agricultural support commitments are embodied in the Agreement on Agriculture and it is the essential focus of this review. However, references are made to additional supporting legal texts that emerged as part of the Uruguay Round Agreement, as well as to related studies and references produced by the WTO, its member countries, and international organizations interested in trade and development.

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May 12, 2005

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Agriculture in the WTO: Policy Commitments Made Under the Agreement on Agriculture

Summary

The Uruguay Round (UR) of multilateral trade negotiations, completed in 1994, represented the first significant step toward reforming international agricultural trade. Under the UR negotiations, domestic policies and trade policies were viewed as interconnected. As a result, WTO member countries committed to disciplines in agricultural support in three broad areas — domestic agricultural support programs, export subsidies, and market access — often referred to as the three pillars of the Agreement on Agriculture (AA). In addition, members also agreed to provisions concerning the handling of sanitary and phytosanitary measures, dispute settlement procedures, and the continuation of the reform process.

Under the auspices of the UR's AA, WTO member countries agreed to limit and reduce the most distortive domestic support subsidies — referred to as amber box subsidies and measured by the Aggregate Measure of Support (AMS) index. Several types of indirect subsidies were identified as causing minimal distortion to agricultural production and trade, and were provided exemptions — green box, blue box, *de minimis*, and special treatment — from WTO disciplines. Export subsidies were capped and subject to reductions in both value and volume. In addition, members agreed to improve market access for internationally traded agricultural products by converting non-tariff trade barriers (NTBs) into tariffs (a process called tariffication); binding existing tariffs at January 1, 1995, levels; and reducing tariffs from bound levels with the all-product average tariff being reduced faster than tariffs for individual products. These subsidy and tariff reductions occurred during a six-year implementation period, 1995-2000. Those countries that had used NTBs to restrict imports submitted to a form of tariffication that included quotas and special safeguards offering extra protection from surges in imports for politically sensitive products. Each country's specific commitments are listed in its schedule of concessions.

The AA also recognized the special needs of developing and least-developed countries and provided them with greater flexibility in implementing their policy commitments — referred to as Special and Differential Treatment. In general, the rates of reduction applied to tariffs and subsidies for developing countries were lower than the rates used by developed countries. In addition, their reduction commitments were implemented over an extended period of time, generally a 10-year period (1994-2004). Least-developed countries (as defined by the United Nations) were exempt from all reduction commitments, but were required to bind tariffs and domestic support at base-year levels.

To provide for monitoring and compliance of WTO policy commitments, each WTO member country was expected to routinely submit notification reports on the implementation of its various commitments. The WTO's Committee on Agriculture was assigned the duty of reviewing progress in the implementation of individual member commitments based on member notifications.

This report will be updated as events warrant.

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Also see the following related CRS reports:

CRS Report RS20840, *Agriculture in the WTO: Limits on Domestic Spending*, by Randy Schnepf.

CRS Report RS20858, *Agricultural Export Subsidies, Export Credit, and the World Trade Organization*, by Carol Canada and Charles Hanrahan.

CRS Report RS21905, *Agriculture in the WTO Doha Round: The Framework Agreement and Next Steps*, by Charles Hanrahan.

CRS Report RL30612, *Agriculture in the WTO: Member Spending on Domestic Support*, by Randy Schnepf.

CRS Report RL32645, *The Doha Development Agenda: The WTO Framework Agreement*, by Ian F. Fergusson, Charles E. Hanrahan, William H. Cooper, and Danielle J. Langton.

CRS Report RS21569, *Geographical Indications and WTO Negotiations*, by Charles Hanrahan.

Agriculture in the WTO: Policy Commitments Made Under the Agreement on Agriculture

Introduction

This report provides a review of the major agricultural policy commitments made by members of the World Trade Organization (WTO) during the Uruguay Round of multilateral trade negotiations completed in 1994, and the legal text that underlies those commitments. Most agricultural support commitments are embodied in the Agreement on Agriculture and it is the essential focus of this review. However, references are made to additional supporting legal texts that emerged as part of the Uruguay Round Agreement, as well as to related studies and references produced by the WTO, its member countries, and international organizations interested in trade and development.

A review of the major agricultural policy commitments made during the Uruguay Round is useful because:

- a more thorough understanding of WTO policy commitments provides a better context for evaluating their current implementation and enforcement;¹
- agriculture-related dispute settlement cases undertaken within the framework of the WTO frequently hinge on charges of non-compliance with commitments made by a member country during the Uruguay Round;
- the ongoing Doha Round of multilateral trade negotiations — called the Doha Development Agenda (DDA) — seeks to build on existing commitments made during the Uruguay Round;² and
- sufficient time has elapsed since the completion of the Uruguay Round that legislators and their staff responsible for oversight of U.S. trade policy may find such a reference useful when seeking information on WTO agricultural support commitments.

Given the decade that has elapsed since the completion of the Uruguay Round, a considerable body of evidence has accumulated with respect to the success of WTO

¹ For example, see CRS Report RL30612, *Agriculture in the WTO: Member Spending on Domestic Support*, by Randy Schnepf; or CRS Report RS20858, *Agricultural Export Subsidies, Export Credit, and the World Trade Organization*, by Carol Canada and Charles Hanrahan.

² For more information, see CRS Report RS21905, *Agriculture in the WTO Doha Round: The Framework Agreement and Next Steps*, by Charles Hanrahan.

policy disciplines and agricultural trade rules in improving the predictability, transparency, and market-orientation of international agricultural trade. In light of this experience, this report introduces several of the major negotiating issues that have emerged for each of the various policy commitments made under the auspices of the Agreement on Agriculture.

Background on the Uruguay Round

From 1948 through 1994, the General Agreement on Tariffs and Trade (GATT) provided the most widely accepted set of rules governing international trade. Although the rules of trade established under GATT also applied to agriculture, they contained several loopholes, exceptions, and exemptions from most of the disciplines that applied to manufactured goods.³ For example, while export subsidies were not allowed for most industrial products, they were permitted on agricultural products. In addition, GATT allowed the use of import quotas as well as subsidies on domestic production for agricultural products. As a result, agricultural trade was highly distorted, and lacked in transparency and fairness. These problems were specifically addressed during the Uruguay Round (1986-1994) of GATT multilateral trade negotiations in the Agreement on Agriculture.

The World Trade Organization (WTO)

The Uruguay Round culminated in 1994 when 125 countries signed the *Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations* (hereafter referred to as the *Final Act*)⁴ establishing the WTO and subsuming the GATT.⁵ Built on GATT rules, the WTO replaced the GATT as the world's principal institutional framework for overseeing trade negotiations and for adjudicating trade disputes. As of April 2005, there were 148 members in the WTO, representing over 95% of world trade.⁶ In addition, there were 31 observer governments (most of which had applied for membership in the WTO) and seven international organization observers.

The Uruguay Round negotiations produced general rules regarding subsidy disciplines and market access concessions that applied to all members. However, each individual member country also negotiated their own specific policy commitments. The list of commitments, along with their implementation period, were spelled out for each individual country in their "schedule of concessions" (also

³ WTO, *Understanding the WTO: the Agreements*, "Agriculture: Fairer Markets for Farmers," at [http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm3_e.htm].

⁴ For the official text of the *Final Act* see, *The Legal Texts: The Results of the Uruguay Round Multilateral Trade Negotiations*, Cambridge University Press, ©World Trade Organization 1999; hereafter referred to as *The Legal Texts* (1999). The *Final Act* is also available at [http://www.wto.org/english/docs_e/legal_e/legal_e.htm#finalact].

⁵ For background information on the Uruguay Round and the WTO, see CRS Report 98-928E, *The World Trade Organization: Background and Issues*, by Lenore Sek.

⁶ For a current list of WTO members, see WTO, *Understanding the WTO*, "Members and Observers," at [http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm].

referred to as the country schedule).⁷ New members may join the WTO through a formal process of accession negotiations.⁸ During accession negotiations, new members must also negotiate their specific policy commitments as detailed in a “schedule of concessions.”

Agreement on Agriculture

The Agreement on Agriculture (AA) — the first multilateral agreement dedicated entirely to agriculture — was one of 29 individual legal texts included under an umbrella agreement establishing the WTO.⁹ The stated objective of the AA was to reform trade in the agricultural sector and to make member-country policies more market-oriented in order to improve predictability and security for importing and exporting countries alike.

Policy Tradeoff: Subsidies vs. Market Access

During the Uruguay Round negotiations, domestic and trade policies were viewed as interconnected — policies which supported domestic prices or subsidized production tended to encourage over-production; this in turn squeezed out imports or led to either export subsidies or low-priced dumping on world markets. Furthermore, to support artificially high domestic prices, border controls such as restrictive import quotas, excessively high tariffs, and other non-tariff measures were often used to keep out lower-priced foreign supplies. As a result, for a new trade agreement to be reached, trade negotiators felt that individual countries had to be willing to trade off some aspects of domestic policy in favor of facilitating greater openness in world markets.

In the final outcome of the Uruguay Round, such a trade-off in agriculture involved commitments by member countries to improve market access on the one hand, while limiting and reducing trade-distorting subsidies on the other hand. The disciplines involved freezing protection and subsidies at base period levels, then instituting annual reductions from the bound levels. A general framework for implementing these disciplines was developed during the Uruguay Round. A description of the disciplines and commitments — e.g., tariffication, tariff-rate quotas, special safeguards, subsidy and tariff reductions, special treatment, implementation period, and any special provisions — are provided below in the chapter entitled “Agricultural Support Commitments.”

⁷ Each WTO member country’s “schedule of concessions,” is available at [http://www.wto.org/english/tratop_e/schedules_e/goods_schedules_e.htm].

⁸ For more information see WTO, *Understanding the WTO*, “How to join the WTO: the accession process,” at [http://www.wto.org/english/thewto_e/whatis_e/tif_e/org3_e.htm].

⁹ For the official text of the AA and other major legal texts, see *The Legal Texts* (1999). The AA is also available at [http://www.wto.org/english/docs_e/legal_e/legal_e.htm#ag].

Country Schedules

At the conclusion of the Uruguay Round, each WTO member country listed its commitments on market access and subsidy reductions in a document called a Schedule of Concessions (or country schedule).¹⁰ All of the country schedules were annexed to the GATT agreement and were approved as part of the Uruguay Round negotiations. Members that have joined since January 1, 1995, also must list their policy commitments (which are negotiated during their accession process) in a Schedule of Concessions. For each WTO member, the country schedule is the official schedule of all policy commitments. Ratification of the AA by all WTO member countries was equivalent to ratification of the individual country schedules.¹¹ Similarly, acceding countries must obtain unanimous consent of their country schedule as part of the accession process.

Although the Uruguay Round negotiations established guidelines for most policy disciplines, individual member countries are legally committed only to those provisions included in their Schedule of Concessions, regardless of their correspondence with the general guidelines. Each country schedule consists of the following four parts.

Part I. Most-favored nation (MFN) concessions — maximum tariffs on goods from other WTO members.¹² Part I is divided into three major components:

- Section 1A lists tariffs on agricultural products;
- Section 1B lists tariff quotas on agricultural products; and
- Section 2 lists MFN concessions on all other products.

Part II. Preferential concessions — tariffs that benefit countries within the scope of bilateral or regional trade agreements, e.g., the North American Free Trade Agreement (NAFTA). Treatment of such preferential trade arrangements is discussed in GATT, Article 1.

Part III. Concessions on non-tariff measures.

Part IV. Specific commitments on domestic support and export subsidies on agricultural products.

The tariff schedules follow the format called the Harmonized Commodity Description and Coding System (referred to as the Harmonized System) established by the World Customs Organization.¹³ The Harmonized System consists of 21

¹⁰ Each member country's schedule of concessions is publicly available at the WTO website at [http://www.wto.org/english/tratop_e/schedules_e/goods_schedules_e.htm].

¹¹ USDA, Economic Research Service (ERS), *Agriculture in the WTO*, "Domestic Support Commitments: A Preliminary Evaluation," WRS-98-4, December 1998, p. 16.

¹² For more information on MFN treatment, see the definition in CRS Report 97-905, *Agriculture: A Glossary of Terms, Programs, and Laws, 4th Edition*, by Jasper Womach.

¹³ For more information on the WCO, visit [<http://www.wcoomd.org/ie/index.html>]. The
(continued...)

sections covering 99 chapters: most agricultural food and feed products are covered in Sections I-IV (chapters 1-24); forestry products are in Sections IX-X (chapters 44-49); and fiber and textile products are in Section XI (chapters 50-63).¹⁴

Special Status of Certain Countries

Under the AA (Articles 15 and 16), the special needs of developing and least-developed countries was recognized by granting them special rights or extra leniency — termed Special and Differential Treatment (SDT) — in the implementation of their policy commitments (see **Table 1**). In general, the rates of reduction applied to tariffs and subsidies for developing and least-developed countries are lower than the rates used by developed countries. In addition, their reduction commitments are implemented over an extended period of time, generally a 10-year period versus a 6-year period for developed countries.

Least-Developed Countries (LDCs). The WTO recognizes as a least-developed country (LDC) any of those countries which have been designated as such by the United Nations (U.N.).¹⁵ As of April 2005, there were 50 LDCs on the U.N.'s list, 32 of which were WTO members. Eight additional LDCs are in the process of accession to the WTO. LDCs are exempt from all reduction commitments, but are required to bind tariffs and domestic support at base year levels.

Developing Countries. The WTO does not have specific and transparent criteria to designate a country as “developing” or “developed.” Instead, member countries are permitted to self-designate. Such designation is significant because developing countries qualify for the benefits of SDT and, as a result, do not have to cut their subsidies or lower their tariffs as much as developed countries, plus they are granted an extended implementation period to meet their commitments.

Many developed countries have questioned the authenticity of several self-designated “developing” countries, and recommend that a more formal procedure be established before a country is able to benefit from SDT status. For example, using World Bank data for the 1992-2003 period, 13 WTO member countries that have claimed SDT status have average GDP-per-capita levels at or in excess of the World Bank's upper-middle income average GDP-per-capita of \$4,586 (in constant 1995 U.S. dollars).¹⁶ Four of these 13 countries — Barbados, Gabon, St. Kitts & Nevis, and Trinidad & Tobago — are listed as “net-food-importing developing countries”

¹³ (...continued)

WCO's website contains links to all internationally available country customs administrations websites at “Customs Web Sites” on its left-hand side bar.

¹⁴ For a listing of the Harmonized Tariff Schedule of the United States, by chapter, see the U.S. International Trade Commission's “Tariff Information Center,” at [<http://www.usitc.gov/tata/hts/bychapter/index.htm>].

¹⁵ For a listing of LDC member countries, see WTO, *Understanding the WTO: The Organization*, “Least-Developed Countries,” available at [http://www.wto.org/english/thewto_e/whatis_e/tif_e/org7_e.htm].

¹⁶ Based on CRS calculations from World Bank data: World Development Indicators.

by the WTO. The remaining 9 countries — Argentina, Bahrain, Brazil, Chile, Cyprus, Israel, South Korea, Singapore, and Uruguay — have come under some scrutiny as authentic developing countries.

Net Food Importing Countries. Those developing-country members which rely on imports for the majority of their food supplies are recognized for special monitoring under Article 16 of the AA.¹⁷ The concern is that the reduction of domestic agricultural support subsidies by developed countries could result in lower exports and higher international prices, thereby raising the food bill for net-importing countries with potentially negative effects.

Agricultural Support Commitments

To limit and reduce the amount of distortive subsidies directed to their agricultural sectors, WTO member countries agreed to disciplines in agricultural support in three broad areas — domestic agricultural support programs, export subsidies, and market access — often referred to as the three pillars of the AA. Each of these pillars is discussed, in turn, below. A general framework for disciplines in each of these three areas is outlined in **Table 1**.

Domestic Support

Domestic support broadly refers to those agricultural policies that operate within a country so as to influence internal farm and rural incomes, resource use, production, and consumption of agricultural products, or the environmental impacts of farming. Individual WTO member countries reserve the right and may be obligated by their electorate to use domestic support policies to pursue various national policy objectives. As a result, the AA distinguishes between support programs that have a direct effect on agricultural production, and those that are deemed minimally distorting. The former are referred to as “coupled” programs because of their direct link to production and are subject to limitations and gradual reduction from historical base levels. In contrast, most indirect support measures — i.e., those policies which are minimally trade or production distorting — are exempted from reduction commitments.

Domestic Support Subject to Reduction Commitments. Domestic support deemed to have a “direct effect” on agricultural production is measured by an index referred to as the Aggregate Measure of Support (AMS).¹⁸ The AMS combines the monetary value of all non-exempt agricultural support into one overall measure. The AMS includes both budgetary outlays in the form of actual or

¹⁷ The WTO list (official document G/AG/5/Rev7) of net food-importing developing countries includes Barbados, Botswana, Côte d’Ivoire, Cuba, Dominica, Dominican Republic, Egypt, Gabon, Honduras, Jamaica, Jordan, Kenya, Mauritius, Morocco, Namibia, Pakistan, Peru, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Trinidad and Tobago, Tunisia, and Venezuela.

¹⁸ AMS is defined in the AA, Article 1 (a) and (h). Calculation of the AMS is described in Annex 3 of the AA.

calculated amounts of direct payments to producers under various commodity marketing loan provisions, input subsidies, and interest subsidies on commodity loan programs, as well as revenue transfers from consumers to producers as a result of policies that distort market prices.

In the initial WTO agreement, 26 countries made AMS reduction commitments. An additional 9 countries that acceded to the WTO after January 1, 1995, have also made AMS commitments (as of February 17, 2005) bringing the total number of countries with AMS commitments to 35 (see **Table 2**).¹⁹ For developed member countries, the AMS was to be reduced from a 1986-1988 base period average by 20% in six equal annual installments during 1995-2000. Developing countries (i.e., those self-designated countries receiving SDT benefits) agreed to a 13% reduction from their 1986-1988 base AMS over a 10-year period (1995-2004). LDCs agreed to not increase support beyond the base period level.

Table 1. Numerical Targets for Cutting Subsidies and Protection

	WTO Member Status		
	Developed Countries	Developing Countries	Least-Developed Countries (LDCs) ^a
Implementation Period ^b	6 years: 1995-2000	10 years: 1995-2004	None
Domestic Support Reduction: ^c			
-total AMS	-20%	-13%	Bind
Export Subsidy Reduction: ^c			
-subsidized value	-36%	-24%	See
-subsidized quantity	-21%	-14%	Article 9.4 ^d
Tariff Reduction: ^c			
-average for all products	-36%	-24%	Bind
-minimum per product	-15%	-10%	Bind

Source: WTO, *WTO Agriculture Negotiations*, updated December 1, 2004; available at [http://www.wto.org/english/tratop_e/agric_e/negs_bkgrnd00_contents_e.htm#download].

^aLDCs are required to bind (freeze) domestic subsidies and tariffs at base year levels.

^bFor those countries that acceded to the WTO after January 1, 1995, their implementation period and reduction rates are specified in their country schedule of commitments.

^c The base level for tariff cuts was the bound rate before January 1, 1995; for unbound tariffs, the actual rate charged in September 1986 (when the Uruguay Round began) was used. The base period for domestic support (AMS) reductions was 1986-1988. Only the rates for cutting export subsidies appear in the AA. The other rates were targets used to calculate individual countries' legally binding schedules of concessions. Each country's specific commitments vary according to the outcome of negotiations and are listed in their respective country schedules. As a result of the negotiations, several developing countries chose to set fixed bound tariff ceilings that do not decline over the years.

^dArticle 9.4 of the AA includes temporary exemptions for developing countries, allowing them to subsidize certain marketing and transport activities.

¹⁹ For a status report on the implementation of domestic support commitments by WTO members, see CRS Report RL30612, *Agriculture in the WTO: Member Spending on Domestic Support*, by Randy Schnepf.

Domestic Support Exempt from Reduction Commitments. The AA defines four categories of domestic support that are eligible for exemption from reduction commitments. These are green box, blue box, *de minimis*, and SDT exemptions.

Green Box. Certain types of domestic subsidies that do not distort trade, or at most cause minimal distortion while achieving various domestic policy goals. These types of policies, as identified in Annex 2 of the AA, are exempted from domestic support disciplines in accordance with Articles 7.1 and 7.2(a). Complying policies include outlays for such activities as agricultural research and extension, conservation and the environment, rural development, food security stocks, domestic food aid (e.g., food stamps), farm disaster payments, and structural adjustment programs. Also exempted are “decoupled” payments, i.e., payments that are not linked to current production decisions. These specific exemptions are referred to as “green” in the traffic-light sense since countries can “go ahead” with these policies without limit, provided each exempted policy complies fully with its respective provision in Annex 2.

Blue Box. Any support that would normally be in the amber box is placed in the blue box if the support also requires agricultural producers to limit production (Article 6.5). Both crop and livestock production may qualify for this exemption. There are no limits on blue box spending.

De Minimis Exemptions. Commodity-specific support that is below 5% (10% for developing countries) of a commodity’s value of production is deemed sufficiently benign that it does not have to be included in the AMS calculation (Article 6.4). Such commodity-specific support can be evaluated for each individual commodity. Similarly, non-product specific support that is below 5% (10% for developing countries) of the total value of production for all commodities may be exempted from inclusion in the AMS. For countries that have no AMS reduction commitment in their schedules, domestic support is limited to their *de minimis* values on both a product-specific and total basis for any given year (Article 7.2(b)).

Special and Differential Treatment (SDT) Exemptions. Certain domestic investment and input subsidies of developing countries and LDCs are exempt from support reduction commitments (Article 6.2).

Domestic Subsidy Issues. This subsection identifies some of the major issues concerning domestic support disciplines that have emerged during the first decade since the completion of the Uruguay Round. Several, if not all, of these issues are likely to be addressed during the ongoing Doha Round of negotiations.

AMS Disaggregation. Presently, AMS commitments are calculated on an aggregate basis. Such aggregation allows subsidies to be shifted between products in such a manner as to disproportionately favor certain commodities. Some WTO members have argued for disaggregation of AMS ceilings according to products, i.e., to set commodity-specific ceilings within the larger AMS aggregate ceiling. It is argued that such commodity-specific disciplines would further liberalization within individual commodity markets.

AMS Reduction or Elimination. Now that disciplines have been imposed on domestic support subsidies, many members are expressing an interest in their elimination within three to five years for developed countries and nine years for developing countries. This would bring all countries down to their *de minimis* levels as spending ceilings. Since most domestic support spending occurs in just a few developed countries — particularly in the European Union, the United States, and Japan which account for over 90% of all amber box spending — this argument is often made by developing countries who suggest that harmonization of domestic support at *de minimis* levels would be the most fair solution. In contrast, those countries which still depend on domestic support subsidies to achieve domestic policy goals are reluctant to accept their total elimination.

Amber to Green Box Subsidy Shift. Another emerging issue concerns the gradual shift of subsidies away from the market-distorting policies of the amber box towards the “minimally distorting” policies of the green box. Although such subsidy shifting clearly helps to achieve one of the major objectives of the Uruguay Round — i.e., reduce market distortion — many developing countries have complained about the excessive use of green box and other exemptions by developed countries in the post-Uruguay Round period. As larger volumes of subsidy outlays shift into the green box, policymakers and trade negotiators will likely feel greater pressure to differentiate between the degree of market distortion caused by various green-box exempted policies, and to link disciplines more closely with the degree of market distortion.

Limits on Blue Box Spending. Only seven members have notified using the blue box exemption — the EU, Iceland, Norway, Japan, the Slovak Republic, Slovenia, and the United States. Of these, the United States is no longer using the box, but has argued for its retention and would like to qualify counter-cyclical farm commodity payments for the blue box. Several developed and developing countries contend that, since blue box policies are not fully decoupled, they should either be eliminated or moved into the amber box. Presently, blue box spending is not subject to any limits.

De Minimis Changes. For those countries with no domestic policy commitments in their country schedule, domestic support subsidies must remain within their *de minimis* ceilings. Many developing countries are subject to the *de minimis* ceilings. These countries are beginning to suggest that their *de minimis* ceilings should be raised to give them greater flexibility in addressing their domestic poverty and rural development goals. In contrast, many countries have argued that developed countries with large domestic production (most notably the United States) are able to avail themselves of high *de minimis* spending limit exemptions, thereby avoiding intended disciplines on domestic support.

Export Subsidies

Export subsidies are special incentives in the form of direct or indirect compensation provided by governments to commercial firms to encourage increased foreign sales of domestic products. Direct export subsidies — explicit cash payments per unit of product exported — are often used when a nation’s domestic price for a good is artificially raised above the world market price. The AA imposes limits on

direct agricultural export subsidies, but not on indirect export subsidies. Indirect methods of export subsidization include government subsidized financing for exports (e.g., export credit guarantees), export promotion and information activities, tax benefits, or other forms of assistance that may lead to lower than normal costs for exported products.

Types of Export Subsidies. Article 9.1 of the AA defines several types of export subsidies that are subject to limitations and reduction commitments, including:

- direct export payments by a government to firms, industries, or producers of agricultural products contingent on export performance;
- sales or gifts of government stocks at prices lower than acquisition prices;
- export payments financed through government action, including payments financed by levies on producers;
- subsidies to reduce export marketing costs, including handling and export-specific transportation; and
- subsidies on goods incorporated into export products (Article 11).

Export Subsidy Commitments. In the Uruguay Round, 25 countries agreed to both volume and value reductions in the use of direct export subsidies from a 1986-90 base period (see **Table 2**).²⁰

- *By volume:* Developed countries committed to reduce the volume of subsidized exports by 21% over a six-year period (1995-2000); developing countries committed to a 14% reduction over a 10-year period (1995-2004).
- *By value:* Developed countries committed to reduce the value of subsidized exports by 36% over six years; developing countries committed to a 24% reduction over 10 years.
- *Flexibility across years:* The AA provides some flexibility between years in terms of subsidy reductions (Article 9.2b). A country was allowed to exceed its export subsidy commitments in any of the years two through five (1996-99) provided that the total cumulative value of export subsidies and the cumulative volume of subsidized exports through the year in question did not exceed the cumulative amount that would have resulted under full compliance by more than 3% in value or 1.75% in volume.

Each countries' schedule specifies both how much can be exported with subsidy as well as the permitted subsidy expenditure for each listed commodity. A WTO

²⁰ For a status report on the implementation of export subsidy commitments by WTO members, see CRS Report RS20858, *Agricultural Export Subsidies, Export Credit, and the World Trade Organization*, by Carol Canada and Charles Hanrahan. Also see USDA, ERS, *Agriculture in the WTO*, "Export Subsidy Commitments: Few are Binding Yet, But Some Members Try to Evade Them," WRS-98-4, Dec. 1998, p. 23.

member country may not initiate subsidies for commodities that are not in their country schedule (Article 8).

Exemptions. Members agreed to exempt bona fide food aid transactions (Article 10.4) and widely available export market promotion and advisory services from the list of export subsidies. However, members must restrict their use of exempted export marketing practices that could cause them to circumvent their export subsidy commitments (Articles 10.1 and 10.3).

Export Credit Intentions. Finally, members agreed to undertake work towards the development of internationally agreed disciplines to govern the use of export credit, export credit guarantees, and insurance programs (Article 10.2).

Export Subsidy Issues. Uruguay Round disciplines have greatly reduced the value and volume of subsidized exports used in international agricultural markets. While the complete elimination of direct export subsidies is an obvious goal, several thorny issues remain surrounding indirect export subsidies.

Export Subsidy Elimination. The European Union alone accounts for nearly 90% of all direct export subsidies used in the post-Uruguay Round period. As a result, strong arguments have been made by most WTO members for the complete elimination of direct export subsidies.

Indirect Export Subsidies. A major concern is the general lack of transparency or any general agreement on which types of indirect export subsidies are most distortive and should be subject to disciplines. For example, export credit and credit guarantees are alleged to contain hidden subsidies in the form of extended repayment periods and below market interest-rate charges on export credit. Several members argue that export credit should be offered on strictly commercial terms defined according to criteria such as duration of the credit (e.g., 180 days), benchmarks for interest rates (e.g., Libor — the London inter-bank offered rate — plus some markup), appropriate insurance premiums, etc. Also, export restrictions such as differential export taxes that favor the export of processed products over the primary commodity can have the same effect as a subsidy on the export of the processed products.

Export STEs. Some WTO members argue that state trading enterprises (STEs) or state marketing boards should be subject to explicit WTO disciplines because they: have monopoly power when buying domestic commodities for export, enjoy government financial guarantees to underwrite their business risk, and do not operate under commercial objectives. However, there is debate among WTO members about whether STEs are significantly different from large privately-held, commercial enterprises. Both often have considerable market power, are able to practice discriminatory pricing across markets, and can be bailed out of financial difficulties with government funds. Some members argue that multinational corporations should also be subject to disciplines. Still a third voice in this debate is from some developing countries who contend that they need STEs to fill in where their private sector is still too weak or underdeveloped to operate commercially or to compete against large foreign companies.

Food Aid. While all members agree that food aid for humanitarian purposes is essential, there is disagreement over how best to ensure that such aid reaches its intended recipients with minimum harm to local agricultural production and without unnecessarily pushing out commercial trade from those same markets. Also, several WTO members contend that, in the past, some countries (most notably the United States) have used food aid as an outlet for agricultural surpluses.

Market Access

Market access refers to the extent to which a country permits imports. Within the WTO, market access refers more specifically to the conditions governing tariff and non-tariff measures agreed to by members for the entry of specific goods into their markets. A tariff is a tax imposed on imports by a government. Tariffs may be either a fixed charge per unit of product imported (called a specific tariff) or a fixed percentage of the import value (called an ad valorem tariff). A non-tariff barrier (NTB) is any government measure other than tariffs that restricts trade flows. NTBs include quantitative import restrictions, variable import levies, discretionary import licensing, non-tariff measures maintained through state trading enterprises, voluntary export restraints, and most border measures other than ordinary customs duties.

Use of trade barriers is often justified under three general reasons: to ensure domestic food security; to protect impoverished or disadvantaged producers; or to preserve rural society. With these considerations in mind, the Uruguay Round established disciplines on trade distorting import barriers while maintaining historical trade volumes and assuring some increased access of agricultural goods into highly protected markets. The AA also recognized the special needs of developing countries with rules concerning exceptions and special and differential treatment (SDT) for market access provisions. These disciplines and provisions are described below.

Committee on Market Access. The WTO General Council established the Committee on Market Access (January 31, 1995) with a mandate to: supervise, facilitate, and monitor the implementation of market access concessions; ensure that country schedules are kept up-to-date; oversee the content and operation of, and access to, a WTO Integrated Database (of tariff data); and to report periodically (in the form of annual public reports) to the WTO Council on Trade in Goods.²¹

The AA (Articles 4 and 5) requires adherence to market access commitments as identified in each country's schedule of concessions. Principal among these are tariff bindings and reduction commitments, as well as tariffication of NTBs. For those products subject to tariffication (i.e., previously protected by NTBs), special temporary safeguards were put in place to afford protection from unexpected import surges. For many of these products, tariff-rate quotas were also established to retain some vestige of historical protection rates while assuring some increased access to

²¹ For more information on the committee and its annual reports, see WTO, "Market Access for Goods: Work of the Committee on Market Access" at [http://www.wto.org/english/tratop_e/markacc_e/markacc_e.htm].

highly protected markets. Each of these market access commitments are briefly discussed here.

Tariff Bindings and Reductions. WTO members agreed to bind the maximum tariff rates that may be applied for imported products at base period (1986-1988) levels. As a result of this discipline, 100% of agricultural products now have bound tariffs. Member countries are free to apply tariff rates that are below the bound rate, but may never apply a tariff rate in excess of the bound rate without first consulting with the other members that are most likely to be affected by such a change and agreeing on some level of compensation (Article 28 of the GATT).

In addition to the binding of maximum tariff rates, member countries agreed to reductions in the bound rates. In general, the bound annual average (aggregate) tariff was to be reduced by 36% in equal installments over a six-year period (1995-2000) for developed countries; developing countries were given a 10-year period (1995-2004). Tariffs on individual products were to be reduced by no less than 15% during these same periods.

Tariffication. Tariffication is the process of converting nontariff trade barriers (NTBs) to bound tariffs. Tariffication was done under the AA to improve the transparency of existing agricultural trade barriers and to facilitate their proposed reductions. Under Article 4.2, all agricultural NTBs were banned. They were replaced by ordinary tariffs that provided an equivalent level of protection. This was achieved by setting the new tariff at an amount equal to the difference between internal and external prices existing in the base period (1986-1988). For example, if under the previous policy domestic prices were on average about 75% above world market prices, then the new ad valorem tariff would be set at 75%.

Special Safeguards (SSGs). The AA contains SSG provisions put in place for those products subject to tariffication (Article 5). An SSG's purpose is to prevent disruption of domestic markets due to import surges or abnormally low import prices. SSGs allow member countries to impose additional tariffs on agricultural products if their import volume exceeds defined trigger levels, or if import prices fall below specified trigger levels. The SSG applies only to products that are either (1) subject to tariffication, or (2) in cases where the country has designated a product as eligible for the SSG in its country schedule. An SSG can apply only to imports that exceed tariff-rate quota volumes (see the discussion on tariff-rate quotas below). The SSG is an alternative to the general safeguard provision of the GATT and is easier to invoke because it does not require a test of injury or threat of injury.

As of February 11, 2002, there were 39 WTO members that had reserved the right to use a combined total of 6,156 SSGs on agricultural products in their commitments (see **Tables 2 and 3**).²²

²² The WTO's Committee on Agriculture uses member notifications to produce occasional reports on the implementation of special safeguards. The most recent version of such a report is WTO, *Special Agricultural Safeguard*, G/AG/NG/S/9/Rev.1, February 19, 2002.

Tariff-Rate Quotas (TRQs). A quota is a quantitative limit placed on the importation of a specific commodity. A TRQ is simply a two-tiered tariff: a limited volume (the quota) can be imported at the lower tariff, and imports in excess of the quota volume are charged a higher, usually prohibitive, tariff. Under the Uruguay Round negotiations, the quota component was set equal to historical trade levels to avoid dramatic disruption of traditional trade patterns. Where trade had been minimal, an access quota was established at a higher level than the historical average in order to provide improved access opportunities. As a result, a TRQ allows for some minimum access, while assuring protection once that level of access has been achieved.

TRQ quotas and tariff rates were negotiated on a country- and commodity-specific basis. As of March 8, 2002, there were 43 WTO members with a combined total of 1,425 tariff-rate quotas in their commitments (see **Tables 2 and 3**).²³ The specific quota and tariff rates are listed in the country schedules. In general, TRQ quota levels were set and were subject to an annual increase based on historical levels according to the following formula:

- *Minimum access:* if imports represented less than 5% of domestic consumption during the base period (1986-88), then the access quota was initially set equal to 3% of domestic consumption but would grow to 5% of domestic consumption during the implementation period; and
- *Current access:* the access quota was to be no less than the base period (1986-88) level if imports represented more than 5% of domestic consumption during the base period.

Special and Differential Treatment (SDT). Special treatment provisions allow certain countries, under certain conditions, to postpone tariffication up to the end of the implementation period (to 2000 for developed countries, to 2004 for developing nations) but subject to strictly defined conditions including minimum access for overseas suppliers. Under the Uruguay Round negotiations, four countries were granted special treatment provisions: Japan, South Korea, and the Philippines for rice; and Israel for sheep meat, whole milk powder, and certain cheeses. Japan and Israel have since given up their “special treatment” rights. However, Chinese Taipei negotiated for and has received special treatment for rice with its accession to the WTO on January 1, 2002.

Under differential treatment, developing countries were allowed longer implementation periods (up to 10 years) and lower reduction commitments in tariffs (24% average reductions with 10% minimum per product, refer to **Table 1**). In addition, some developing countries were given extra flexibility in establishing tariff

²³ The Committee on Agriculture (March 23-24, 2000) directed the WTO Secretariat to monitor and produce occasional reports on the implementation of tariff quotas and imports within tariff quotas. The most recent version of such a report is WTO, *Tariff and Other Quotas*, TN/AG/S/5, March 21, 2002.

bindings in cases where duties were not bound prior to the Uruguay Round.²⁴ LDCs were also subject to tariffication and bindings, but were exempt from tariff reduction commitments.

Market Access Issues. Many Uruguay-Round participants felt that the market access concessions eventually obtained were very preliminary and represented only a minimal beginning at opening many agricultural markets. As a result of the use of bound rates substantially above applied rates, “dirty tariffication,” “megatariffs,” and selective product tariff reductions within aggregate groupings, agricultural tariffs remain very high for some politically sensitive products in some countries, thereby limiting the trade benefits to be derived from the new rules. Each of these issues and terms and other emerging market access issues are briefly discussed here.

Bound vs. Applied Tariffs. Although tariff bindings and reductions represented a positive step forward, the base period chosen, 1986-88, was a time of very high protection levels, thereby contributing to the setting of high tariffs under tariffication.²⁵ In many cases, the bound maximum levels were significantly above applied rates (the gap is often referred to as “water”). In the process of replacing NTBs with tariffs, some countries exaggerated their measures of domestic prices or understated the measures of world prices used, thereby increasing the gap between domestic and world prices and inflating the new tariff binding — a process called “dirty tariffication.” Very large tariffs, particularly those much larger than necessary to protect the difference in domestic and world prices, are called “megatariffs.” Subjecting bound megatariffs to reductions may still leave the final bound tariff significantly above the tariff actually applied, thereby having essentially no impact on trade.

The benefits of a stable tariff regime are not achieved when bound tariffs are high and tariffs actually applied are manipulated in response to market conditions. Some members argue that, in order to effect genuine market access gains, either dramatic reductions in bound ceilings or setting bound levels at average applied rates will have to be made. However, several countries contend that substantial “water” or the gap between bound and applied tariffs gives policymakers more flexibility in determining the level of import duties needed to protect farmers from subsidized exports.

Flexibility in Tariff Reduction Commitments. The reduction commitment for aggregate tariffs was substantially larger than the reduction commitment for individual line items (36% versus 15%, respectively). This difference has afforded member countries significant flexibility in retaining tariff protection for agricultural products deemed politically sensitive. Those tariffs most critical for protection of domestic agriculture generally are only a subset of the total. As a result, a 36% average reduction can be achieved either by making rather large cuts in tariffs for

²⁴ WTO, *Agriculture: Fairer Markets for Farmers*, [http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm3_e.htm].

²⁵ USDA, ERS, *Agriculture in the WTO*, “Market Access Issues,” WRS-98-4, Dec. 1998, p. 6-13.

commodities that do not compete with domestic production or by making large percentage cuts in tariffs that are already very low, while making only minimal cuts in politically sensitive tariffs. Members seeking greater market access contend that future reduction rates for individual products should be closer to the aggregate reduction rate to avoid within-category manipulation of tariffs.

Tariff Escalation. Several developing countries complain that their domestic agricultural processing sector faces tariff escalation in international markets — i.e., higher duties are charged on processed products than on the raw materials. Such tariff escalation encourages the exporting of agricultural raw materials rather than processed products, and the affected countries fail to capture the income gains of value-added processing. These countries argue for greater harmonization between raw and processed products in order to better permit countries with substantial agricultural production to be able to capture the value-added from processing.

Rate of Tariff Reduction. While the long-run goal of increasing market access through lowering of tariffs is clear, there is widespread disagreement over the specific formula for such reductions. Countries with generally low import duties prefer a formulation that would bring the highest tariff rates down the fastest in order to gradually harmonize tariffs across member countries. However, those countries with the highest tariff protection rates are reluctant to give up their protection and call for an approach that uses more egalitarian percentage rate cuts across all tariffs both high and low. Such an approach would leave the relative level of protection among member countries essentially unchanged.

Conversion of Specific Tariffs to Ad Valorem. The concept of converting specific (per-unit) duties to ad valorem (value based) is widely accepted as the best approach for ensuring transparency, harmonization, and eventual reduction of market access restrictions. However, the formulation for implementing such a conversion encounters substantial disagreement over which base prices (domestic or international) to use to value the per-unit volumes. This issue is contentious because most members are competing to preserve their current border protection level. Under tariff conversion, any pricing method that results in a lower valuation will also imply a lower tariff rate. However, in May 2005, WTO trade negotiators appear to have reached a compromise agreement on dealing with this tariff conversion issue.²⁶

TRQ Liberalization. Liberalization concerns loosening the tariff and quota components of existing TRQs. Some members want to expand quota levels and reduce in-quota tariffs to zero in order to permit greater market access and ultimately reduce all trade barriers to tariffs only. In contrast, some members with protective TRQs have expressed reluctance to part with the protection that they afford. Over-quota tariffs are subject to the same issues surrounding tariff reductions in general (see above discussion on rate of tariff reduction).

²⁶ For more information, see CRS Report RS21905, *Agriculture in the WTO Doha Round: The Framework Agreement and Next Steps*, by Charles Hanrahan.

TRQ Administration. Because in-quota tariffs are usually substantially lower than over-quota tariffs, TRQ administration essentially involves how a country rations the demand for access to in-quota imports. The administration of over 1,400 TRQs by 43 countries has resulted in widely varying interpretations of WTO rules. Quota administration methods have included auctioning in-quota import rights; state licensing of rights to preferred importers; state trading enterprises with monopoly control of in-quota import rights; first-come, first-serve allocation; or in nearly half of the cases the quota has been ignored and unlimited imports have been allowed at or below the in-quota tariff rate.²⁷

Many WTO members are now proposing clarifications of existing rules or adoption of new disciplines. To facilitate the WTO objective of allowing trade to occur on a commercial basis, some members argue that quota administration methods should be practical, predictable, and transparent; that quotas should be administered so as to encourage their full use; that unused import licenses should be reallocated to ensure their use; that allocations to specified or preferred countries should be phased out; that imports from non-WTO members should be excluded from WTO quotas; and that auctioning quota shares should be outlawed.

Importing State-Trading Enterprises (STEs). Several members have expressed particular concern about the role of STEs in administering TRQs. Their monopoly power and state ownership shelter STEs from open scrutiny and provide them with the potential to disrupt markets.

Special Safeguard (SSG) Issues. Many export-oriented countries regard the WTO's SSG provisions as overly generous, allowing for their implementation in situations that do not constitute true import surges or low prices. For example, a year of unusually low imports, for whatever reasons (e.g., unusually high domestic production, etc.), may result in the volume SSG trigger being surpassed in the following year if imports return to normal or slightly above normal levels. In the DDA, the United States, the Cairns Group, and many developing countries have proposed elimination of the SSG.²⁸ Several developing countries have proposed elimination of SSGs for developed countries while preserving the right of developing countries and LDCs to continue to use SSGs.

Mandatory Labeling. Advocates say this is needed to provide information for consumers and to cover such issues as production methods and traceability. Opponents argue that labeling is a technical barrier to trade (TBT) issue, not an agricultural issue and should therefore be handled by the WTO's TBT committee.

Geographical Indicators. A geographical indication is a term used to describe both the origin and characteristics of a product, e.g., Parmesan cheese, etc. Although geographical indications are most frequently applied to agricultural

²⁷ For more information see USDA, ERS, *Agriculture Outlook*, "Five Years of Tariff-Rate Quotas — A Status Report," Nov. 2000, p. 22-25.

²⁸ The Cairns Group includes Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, and Uruguay.

products, they are not limited to agricultural negotiations alone. Because of intellectual property rights and labeling aspects, geographical indications are also discussed within the TRIPS (Trade-Related Aspects of Intellectual Property Rights) Council and the Technical Barriers to Trade Committee. Some members, including the United States, maintain that geographical indications are strictly a TRIPS issue and should not be included in agricultural negotiations.²⁹

Table 2. WTO Subsidy Reduction Commitments and Provisions for TRQs and SSGs in Country Schedules, by Member

Country ^a	Reduction Commitments		Export Subsidies	TRQs Provisions	SSGs Provisions
	AMS				
	Yes/No	FIY ^b	# of tariff lines		
Norway	yes	2000	11	232	581
Poland	yes	2000	17	109	144
Iceland	yes	2000	2	90	462
European Union	yes	2000	20	87	539
Bulgaria	yes	2001	44	73	21
Hungary	yes	2000	16	70	117
Korea, Rep.	yes	2004		67	111
Colombia	yes	2004	18	67	56
Venezuela	yes	2004	72	61	76
United States	yes	2000	13	54	189
South Africa	yes	2000	62	53	166
Barbados				36	37
Switzerland-Liechtenstein	yes	2000	5	28	961
Costa Rica	yes	2004		27	87
Czech Rep	yes	2000	16	24	236
Slovak Republic	yes	2000	17	24	114
Thailand	yes	2004		23	52
Guatemala				22	107
Chinese Taipei	yes	2000 ^c		22	84
Canada	yes	2000	11	21	150
Japan	yes	2000		20	121
Slovenia	yes	2000		20	
Malaysia				19	72
Panama			1	19	6
Morocco	yes	2004		16	374
Philippines				14	118
Ecuador				14	
Tunisia	yes	2004		13	32
Romania			13	12	175
Israel	yes	2004	6	12	41
Mexico	yes	2004	5	11	293
El Salvador				11	

²⁹ For more information on this topic, see CRS Report RS21569, *Geographical Indications and WTO Negotiations*, by Charles Hanrahan.

Country ^a	Reduction Commitments		TRQs Provisions	SSGs Provisions	
	AMS	Export Subsidies			
China			10		
Nicaragua			9	21	
Croatia	yes	2004	9		
Dominican Rep			8		
Latvia			4		
Lithuania	yes	2005	4		
New Zealand	yes	2000	1	4	
Indonesia			1	13	
Australia	yes	2000	7	10	
Brazil	yes	2004	16		
Chile			1		
Namibia				166	
Swaziland				166	
Botswana				161	
El Salvador				84	
Ecuador				7	
Uruguay			3	2	
Argentina	yes	2004			
Cyprus	yes	2004	9		
F.Y.R.Macedonia	yes	2003			
Jordan	yes	2006			
Moldova	yes	2004			
Papua New Guinea	yes	2004			
Turkey			44		
(# of countries) Total	(35)	(35)	(25) 430	(43) 1,425	(39) 6,156

Source: WTO official documents: TN/AG/S/13 (January 27, 2005) for AMS reduction commitments; TN/AG/S/8/Rev.1 (January 31, 2005) for export subsidy reduction commitments; TN/AG/S/5 (March 21, 2002) for TRQs; and G/AG/NG/S/9/Rev.1 (February 19, 2002) for SSGs.

^aData is sorted by number of TRQ provisions (in descending order) to provide indication of degree of import protection.

^bA blank equals "no."

^cFinal implementation year. In general, developed countries had a six-year implementation period (1995-2000) and developing countries had a nine-year implementation period (1995-2004). Members that acceded after January 1, 1995, negotiated their implementation period in their country schedule.

^dChinese Taipei joined the WTO on January 1, 2002; however, accession negotiations were completed well in advance of its accession (for political reasons, Chinese Taipei could not enter the WTO before Mainland China). During its accession negotiations, Chinese Taipei committed to complete the phase-down of its total AMS by 2000.

**Table 3. Product Category by
Harmonized System Nomenclature**

Code Product category	TRQs^a	SSGs^b	Harmonized System Nomenclature
	# of tariff lines		
Cereals	226	1,089	1001-08, 1101-04, 1107-09, 1901-05
Oil seeds, fats and oils and products	129	712	1201-08, Ch.15 (except 1504), 2304-06
Sugar and confectionery	59	298	1701-4
Dairy products	183	728	0401-6
Animals and products thereof	258	1,356	0101-06, 0201-10, 1601-02
Eggs	21	74	0407-8
Beverages and spirits	35	329	2009, 2201-08
Fruit and vegetables	370	831	0701-14, 0801-14, 1105-06, 2001-08
Tobacco	13	73	2398
Agricultural fibers	20	13	5001-03, 5101-03, 5201-03, 5301-02
Coffee, tea, mate, cocoa and preparations; spices and other food preparations	58	280	0409-10, 0901-10, 1801, 1803-06, 2101-06, 2209
Other agricultural products	53	373	Ch.05 (except 0509), 0601-04, 1209-10, 1211-14, 1301-02, 1401-04, 1802, 2301 (except 2301.20), 2302-03, 2307-09, 2905.43-44, 3301, 3501-05, 3809.10, 3823.60, 4101-03, 4301
Total of all products	1,425	6,156	

Source: WTO official documents: TN/AG/S/5 (March 21, 2002) for TRQs; and G/AG/NG/S/9/Rev.1 (February 19, 2002) for SSGs.

^aTRQ = tariff rate quotas.

^bSSG = special safeguard.

Review of the Implementation of Commitments

To provide for monitoring and compliance of WTO policy commitments, the Uruguay Round established a Committee on Agriculture (Article 17) and assigned it the duty of reviewing progress in the implementation of individual member commitments (Article 18.1).

Committee on Agriculture

The Committee on Agriculture meets quarterly to review the progress in the implementation of commitments negotiated under the Uruguay Round or, for countries that joined after the Uruguay Round's conclusion in 1994, the commitments agreed to during WTO accession negotiations. This review process was to be undertaken on the basis of notifications submitted by members in the areas of market access, domestic support and export subsidies, and under the provisions of the AA relating to export prohibitions and restrictions. The Committee on Agriculture also provides a forum for the discussion of problems or issues surrounding the compliance of notification obligations, and annually produces a report on the status of country notifications.³⁰

Notification Requirements

Each WTO member country was expected to routinely submit notification reports on the implementation of the various commitments (Articles 5.7, 12.1(b), 18.2 and 18.3). Such notification reports were to be undertaken in accordance with a clearly defined timetable and a common format (see Table 4 for details).³¹ In summary, each member country was expected to submit to the WTO those notifications relevant to the specific policy commitments in their country schedule as follows:

- an initial one-time notification detailing tariffs and quotas for each specific commodity;
- an annual notification of imports made under tariffs and quotas;
- ad hoc notification of the implementation of any special safeguard (SSG);
- an annual notification indicating the use made of SSGs;
- an annual notification of subsidy outlays made under scheduled reduction commitments on domestic support — as measured by the AMS — both in the aggregate and on a product-specific basis, including all subsidy and price information necessary for the

³⁰ For the 2004 report, see WTO, *Committee on Agriculture, General Council Overview of WTO Activities (2004)*, G/L/719, Nov. 19, 2004, available at [<http://docsonline.wto.org>].

³¹ WTO, *Notification Requirements in Respect of Subsidies Under the Agreement on Subsidies and Countervailing Measures and the Agreement on Agriculture*, G/AG/W/13, Nov. 15, 1995; and WTO, *Notification Requirements and Formats Under the WTO Agreement on Agriculture*, PC/IPL/12, Dec. 2, 1994. Both reports are available at [<http://docsonline.wto.org>].

calculation of the AMS, as well as all subsidy outlays exempted from the AMS calculation;

- ad hoc notification of any changes in the policy environment relevant to the implementation of its policy commitments;
- an annual notification of subsidy outlays made under scheduled reduction commitments on export subsidies, both in the aggregate and on a product-specific basis;
- annual notification of total exports;
- annual notification of total volume of food aid by donor countries; and
- ad hoc notification of any potential negative effects experienced by LDCs and net-food importing countries resulting from WTO policy reforms.

Table 4. List of WTO Member Notification Requirements under the Agreement on Agriculture

Table Label	Table Contents	Who Must Notify	Frequency	
			Annual	Other
(See notes below for details)				
Market Access (MA)				
Table MA:1	Implementation of tariff and other quota commitments	1		2
Table MA:2	Imports made under tariff and other quota commitments	1	3	
Special Safeguard (SSG)				
Table MA:3	Implementation of volume-based SSG	4		5
Table MA:4	Implementation of price-based SSG	4	6	5
Current Total Aggregate Measure of Support (AMS)				
Table DS:1	Current total AMS	7		8
Supporting Table DS:1	Green Box Outlays 11/	7		8
Supporting Table DS:2	Special and Differential Treatment Measures 11/	7		8
Supporting Table DS:3	Direct Payments Under Production-Limiting Programs (Blue Box) 11/	7		8
Supporting Table DS:4	Calculation of the Current Total AMS 12/	7		8
Supporting Table DS:5	Product-Specific AMS: Market Price Support	7		8
Supporting Table DS:6	Product-Specific AMS: Non-Exempt Direct Payment	7		8

Table Label	Table Contents	Who Must Notify	Frequency	
			Annual	Other
(See notes below for details)				
Supporting Table DS:7	Other Product-Specific AMS and Total Product-Specific AMS 12/	7	8	
Supporting Table DS:8	Product-Specific Equivalent Measurements of Support	7	8	
Supporting Table DS:9	Non-Product-Specific AMS 12/	7	8	
Table DS:2	New or Modified Domestic Support Measures Exempt from Reductions	9		10
Export Subsidy Commitments				
Table ES:1	Export Subsidy Outlays, Quantity Reduction Commitments, and Food Aid Quantity	13	8	
Supporting Table ES:1	Outlay and Quantity Reduction Commitments	13	8	
Table ES:2	Notification of Total Exports	14	8	
Supporting Table ES:2	Developing Country Members using Article 9.1 (d) or (e) Export Subsidies	15	8	
Table ES:3	Total Volume of Food Aid	16	8	
Export Prohibitions and Restrictions				
Table ER:1		17		18
Possible Negative Effects on Least-Developed Countries and Net-Food Importing Countries				
Table NF:1	List of potential negative effects from WTO policy reforms	19		20

Source: WTO, "Notification Requirements and Formats," G/AG/2, June 30, 1995; available at [<http://docsonline.wto.org/>]. Under the Agreement on Agriculture the notification requirement for domestic support, tariff and other quota commitments, and export subsidies is under Article 18.2; the notification requirement for special safeguard provisions is under Article 5.7; the notification requirement for food aid is under Articles 10 and 18.2; the notification requirement for export restrictions is under Article 12.1(b); and the notification requirement for possible negative effects of WTO policy reforms is under Article 16.2.

Notes:

1. Required of all Members with tariff and other quota commitments recorded in Section I-B of their Schedules.
2. A comprehensive one-time notification on the administration of quotas (Table MA:1) should be submitted upon accession, followed by the ad hoc notification of any changes in their administration not later than 30 days following the change.
3. An annual notification showing imports under tariff and other quotas (Table MA:2), should be submitted no later than 60 days following the year in question.

4. Required of all Members who have reserved the right in their Schedules to use Special Safeguard Provisions under Article 5 of the AA.
5. A notification in the form of Tables MA:3 and MA:4 should be made as far as practicable before implementing an SSG for the first time in any year with respect to each product, and in any event within 10 days of the implementation of an SSG.
6. An annual notification in the form of Table MA:5 should be made indicating the use of the special safeguard provisions in any year, submitted no later than 30 days following the year's end. Where the special safeguard provisions have not been invoked in any year, a statement to this effect should be made.
7. All Members (except least-developed Members) must notify annually. For Members with no base and annual commitment levels as shown in Section I of Part IV of their Schedule, the Committee may, at the request of a developing country Member, set aside this requirement other than in respect of Supporting Tables DS:1 to DS:3. Least-developed Members should submit Supporting Tables DS:1 to DS:3 every two years. Where no support exists, a statement to this effect should be made.
8. To be submitted no later than 120 days after the year in question.
9. All Members with base and annual commitment levels as shown in Section I of Part IV of their Schedule.
10. No specific timetable is given for notification of Table DS:2.
11. Measures exempt from reduction commitment.
12. There are no specific instructions or guidelines included in the DS Supporting Tables regarding the calculation of de minimis support levels. Product-specific de minimis are usually reported in Supporting Table DS:4 or Supporting Table DS:7. Non-production-specific de minimis is normally reported in Supporting Table DS:9.
13. Required of all Members with base and annual commitment levels shown in Section II of Part IV of their Schedule. Members with no base and annual commitment levels should submit a statement confirming that no export subsidies exist (no later than 30 days after the year in question).
14. All Members with base and annual commitment levels shown in Section II of Part IV of their Schedule, plus Members that are significant exporters of designated products (i.e., Members with global market shares of at least 5%) as identified in the WTO report G/AG/2/Add.1, 16 October 1995.
15. "Developing" countries using exempt export subsidies (Article 9:1(d) and (e)) of the AA.
16. All food donor Members.
17. Any Member instituting an export prohibition or restriction covered by Article 12 of the AA (except developing country Members which are not net exporters of the product concerned).
18. A notification should be made as far as practicable in advance of the measure being taken.
19. All Members which provide food aid and technical or financial assistance to Least-Developed and Net Food-Importing Developing Countries.
20. A notification should be made at least annually and no later than 60 days following the relevant period.

Trade Policy Review

In addition to the various notification requirements, transparency in the implementation of policy commitments was further ensured by the establishment of a formal trade policy review mechanism (TPRM).³² Under the TPRM, a Trade Policy Review Body (TPRB) — comprised of the WTO General Council operating under special rules and procedures — was established to carry out reviews of each member’s trade policies and practices at regular intervals.³³ The reviews also take into account each country’s wider economic and developmental needs, their policies and objectives, and the external economic environment that they face. Each review culminates in a published report.³⁴ The TPRB also prepares an annual overview of developments in the international trading environment which impact the multilateral trading system.³⁵ All WTO members are subject to review under the TPRM. The impact of individual members on the functioning of the multilateral trading system, defined in terms of their share of world trade in a recent representative period, is used as the determining factor in deciding on the frequency of reviews (see **Table 5**).

Table 5. Frequency of Trade Policy Review for WTO Members

Time Interval	Which Members
2 years	The 4 members with the 1 st through 4 th largest shares of total world trade (currently the European Union, the United States, Japan, and Canada).
4 years	The next 16 members with the 5 th through the 20 th largest shares of total world.
6 years	All other members except for least-developed countries.
Greater than 6 years	Least-developed country members.

The objective of the TPRM is to contribute to improved adherence by members to WTO disciplines and commitments, and to achieve greater transparency in, and understanding of, the trade policies and practices of members. It is not, however, intended to serve as a basis for: the enforcement of specific obligations; dispute settlement procedures; or imposing new policy commitments on members. The reviews are essentially peer-group assessments, although much of the analysis and report writing is done by economists in the WTO Secretariat’s Trade Policy Review

³² WTO, *The Legal Texts*, “Marrakesh Agreement Establishing the World Trade Organization, Annex 3.

³³ For more information, see WTO, “Trade Policy Reviews: Ensuring Transparency,” at [http://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm].

³⁴ For more information and a list of available trade policy review reports, see WTO, *Trade Policy Reviews*, at [http://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm].

³⁵ WTO, *The Legal Texts*, “Marrakesh Agreement Establishing the World Trade Organization, Annex 3(F).

Division. The member under review participates in both the review and the preparation of the review report.

Special Provisions of the AA

In addition to the AA's disciplines on subsidies and market access, members also agreed to provisions concerning the conduct of international trade, as well as a provision for continuation of the reform process.

Peace Clause. Article 13 exempts certain policies that comply with the AA's requirements and with country schedules from being challenged under the WTO's rules and procedures governing the settlement of disputes. For example, with respect to a member's domestic support commitments, so long as the level of support for any specific commodity remains at or below the level of support received during the benchmark year of 1992, Article 13 provides protection from WTO dispute settlement proceedings even if the actual support level exceeds the member's commitments for any given implementation year. The intention of Article 13 is to allow WTO members sufficient time to comply fully with their commitments, recognizing that some policies may take several years to bring into full compliance due to the dynamics of each country's internal political process. Article 13 asks members to use "due restraint" in bringing charges against another member for noncompliance. For this reason, Article 13 is referred to as the "Peace Clause." The protection afforded by the AA's Article 13 expired at the end of 2003.

Continued Reforms. Under Article 20, members committed to start negotiations on continuing the reform at the end of 1999 or the beginning of 2000. This process has since been initiated in the multilateral trade round known as the Doha Development Agenda (DDA). For more information on current agricultural negotiations in the DDA, see CRS Report RS21905, *Agriculture in the WTO Doha Round: The Framework Agreement and Next Steps*, by Charles Hanrahan.

Related Agreements in the Final Act

The *Final Act* also included several agreements that were specifically singled out for recognition within the AA because of their importance in conducting international trade in agriculture.

Sanitary and Phytosanitary Measures. One of the legal texts that emerged from the Uruguay Round was the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS).³⁶ The SPS agreement imposed disciplines on the use of measures to protect human, animal, and plant life and health from foreign

³⁶ For the official text of the SPS agreement, see *The Legal Texts* (1999). The SPS agreement is also available at [http://www.wto.org/english/docs_e/legal_e/legal_e.htm].

pests, diseases, and contaminants.³⁷ It was established to prevent countries from using arbitrary and unjustifiable health and environmental regulations as disguised barriers to trade by increasing transparency of countries' SPS regulations and providing improved means for settling SPS-related trade disputes. Article 14 of the AA states that members agree to recognize the SPS agreement.

Consultation and Dispute Settlement. Under the Uruguay Round, members agreed to a new process — referred to as the Dispute Settlement Understanding (DSU) — for settling disputes among WTO members as elaborated in Annex 2 of the *Final Act*.³⁸ Article 19 of the AA states that members shall apply the provisions of the DSU to consultations and the settlement of disputes.³⁹

³⁷ For more information on the SPS agreement, see USDA, ERS, *Agriculture in the WTO*, "Implementation of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures," WRS-98-4, December 1998, p. 27-33.

³⁸ For the official text of the *Final Act* see, *The Legal Texts: The Results of the Uruguay Round Multilateral Trade Negotiations*, Cambridge University Press, ©World Trade Organization 1999. The *Final Act* is also available at [http://www.wto.org/english/docs_e/legal_e/legal_e.htm#finalact].

³⁹ For more information on the DSU, see CRS Report RS20088, *Dispute Settlement in the World Trade Organization: An Overview* by Jeanne Grimmett; and USDA, ERS, *Agriculture in the WTO*, "Improvements in WTO Dispute Settlement," WRS-98-4, Dec. 1998, pp. 36-40.