WTO AGREEMENT ON AGRICULTURE

The domestic support systems in agriculture are governed by the Agreement on Agriculture (AoA), which entered into force in 1995 and was negotiated during the Uruguay Round (1986-1994). The long-term goal of the AoA is to establish a fair and market-oriented agricultural trading system and to initiate a reform process through the negotiations of commitments on support and protection, and through the establishment of strengthened and more operationally effective rules and discipline. Agriculture is therefore special because the sector has its own agreement, whose provisions prevail.

LEGAL BASIS

In regard to the General Agreement on Tariffs and Trade (GATT), signed in Geneva in 1947, and the Agreement establishing the World Trade Organisation (WTO), signed in Marrakesh in 1994 (OJ L 336, 23.12.1994), the European Union and its Member States act pursuant to Article 207 (common commercial policy) and Articles 217 and 218 (international agreements) of the Treaty on the Functioning of the European Union (5.2.2).

EXTERNAL ASPECTS OF THE CAP — GENERAL FRAMEWORK

The entire Common Agricultural Policy (CAP) has been subject to WTO discipline since 1995, including a dispute settlement body (DSB) with a stringent procedure for disputes, which ensures that signatory states comply with the new multilateral rules.

The CAP is also affected by agricultural concessions granted to a wide range of countries under several multilateral and bilateral agreements and by unilateral waivers granted under the Generalised System of Preferences (GSP). These preferential agreements explain the high level of European Union agricultural imports from developing countries (3.2.10, Table VI).

WTO AGREEMENT ON AGRICULTURE

GATT 1947 initially applied to agriculture, but it was incomplete, and signatory states (or 'contracting parties') excluded this sector from the scope of the principles stated in the general agreement. In the 1947-1994 period members were allowed to use export subsidies on agricultural primary products and to impose import restrictions under certain conditions, with the result that main agricultural commodities faced barriers to trade on a scale uncommon in other merchandise sectors. The way towards a fair and market-oriented agricultural trading system was thus tough and long, and negotiations were finally concluded during the Uruguay Round (1986-1994). Agriculture has special status in the WTO's Agreements and Memoranda of Understanding on trade (which were signed in 1994 and entered into force on 1 January 1995) because the sector has a specific agreement, the Agreement on Agriculture, whose provisions prevail. In addition, some provisions of the Agreement on the Application of Phytosanitary Measures (SPS) also involve agricultural production and trade. The same is true of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in relation to the protection of geographical designations. Furthermore, the provisions of the Agreement on Agriculture are supplemented by the Agreement on technical barriers to trade (TBT), as well as by technical assistance mechanisms.

These agreements contain a certain degree of flexibility as regards their implementation by both developing country, WTO members (special and differential treatment) and least developed countries (LDCs) and net food-importing developing countries (special provisions).

On the basis of the Agreement on Agriculture, WTO Member States undertook to implement an agricultural policy reform agenda that lays down specific binding commitments in three major areas:

A. Market access

The Agreement on Agriculture sought to improve access to markets by requiring:

— That all border protection measures be converted into customs duties (tariff equivalents) and then gradually reduced (by 36% in the six years 1995-2000, compared with the reference period of 1986-1988, for developed countries; by 24% for developing countries);

— The establishment of third country 'minimum access commitments' for specific products not subject to tariffication, by opening up tariff quotas (5% of the 1986-1988 base period consumption for each group of products by the end of 2000);

— Tariff concessions for imports to be maintained at their 1986-1988 level at least ('existing' market access); the introduction of a special safeguard clause, which is triggered either when the volume of imports exceeds a certain ceiling or when import prices fall below a certain threshold.

B. Domestic support

The extent of this reduction is dependent upon the nature of the aid. Aid is categorised in different 'boxes' depending on the effect it has in terms of distorting trade on agricultural markets.

— The 'amber box', also known as the 'Aggregate Measure of Support' (AMS), combines price support with aid coupled to production and not exempt from reduction commitments. This had to be reduced by 20% over six years, compared with the reference period 1986-1988. In addition, all WTO members may apply the '*de minimis* clause', which allows any support amounting to less than 5% of the value of the product under consideration (specific aid) or of total agricultural production (non-specific aid) to be excluded from the current AMS. This ceiling is set at 10% for developing countries.

— The 'blue box' covers aid linked to supply control programmes which are exempt from reduction commitments: for example, direct aid based on an area and yield fixed or allocated for a specific number of head of cattle (the case of 'compensatory aid' approved by the CAP in 1992) (3.2.3). However, the amount received in AMS support plus blue box aid ('total AMS') for each product must not exceed total support granted during the 1992 marketing year.

— The 'green box' comprises two support groups. The first involves public services programmes (for example research, training, marketing, promotion, infrastructure, domestic food aid or public food security stocks). The second involves direct payments to producers, which are fully decoupled from production. These mainly involve income guarantee and security programmes (natural disasters, state financial contributions to crop insurance, etc.), programmes to adjust structures and environmental protection programmes. All green box aid which is deemed to be compatible with the WTO framework is totally exempt from reduction commitments.

C. Export subsidies

Export support measures had to be reduced by 21% in terms of volume and 36% in terms of budget, over six years, compared with the 1986-1990 base period level (except for beef products where the base period was 1986-1992). In the European Union, this linear reduction was carried out for 20 groups of products. For processed products, only the budgetary reduction was applied.

IMPACT OF THE AGREEMENT ON AGRICULTURE ON THE CAP

The CAP reform in 1992 was partly intended to facilitate the signing of the Agreement on Agriculture as part of the Uruguay Round. As a result, the European Union has to a large extent complied with the commitments signed in Marrakesh.

A. Market access

The European Union's consolidated rights commitments involved 1 764 tariff lines. The average consolidated customs duty for food products, which stood at 26% at the start of the implementation period, was only 17% at the end of the period. In addition, the European Union applied zero or minimal duty to 775 lines out of the total 1 764. Only 8% of the tariff lines have a customs duty in excess of 50%. These tariff peaks apply to dairy products, beef, cereals and cereal-based products as well as sugar and sweeteners. As far as tariff quotas are concerned, the European Union has established a total of 87 quotas, 37 of which come under 'minimum access' and 44 under 'current access'. In 2014, approximately 71% of agri-food imports, worth EUR 72 billion, entered the EU with zero duty.

B. Subsidised exports

Most subsidised exports notified to the WTO used to originate from the European Union before they were abolished as part of the 2013 CAP reform, and they fell to zero in 2017. However, it should be borne in mind that a number of practices used by our main competitors (e.g. food aid, export credits and commercial state enterprises) are not subject to WTO rules. The EU will now use export refunds in exceptional cases in order to overcome serious crises affecting the markets. The share of export refunds in the European Union's agricultural budget decreased from 29.5% in 1993 (EUR 10.1 billion), when there were 12 Member States, to 0% in 2017, when there were 28 Member States (3.2.2). Reductions for some European Union products have been considerable: butter, rape, cheese, fruit and vegetables, eggs, wine, and meat in general have been particularly affected by this. The latest notification to the WTO is for the 2016-2017 period (G/AG/N/EU/44 and 45 of 30 April 2018).

C. Domestic support

The 2003 CAP reform, which decoupled most of the existing direct aid, and subsequent sectoral reforms have meant that most of the support under the amber box and the blue box has been moved to the green box (EUR 60.8 billion in 2015/2016, EUR 29.9 billion of that sum being decoupled farm payments) (WTO notification G/AG/N/EU/46) (see table below). Aid under the 'amber box' (AMS) fell heavily from EUR 81 billion at the start of the agreement period to EUR 7.1 billion in 2015-2016, even with the successive waves of enlargement. The European Union is thus largely complying with the commitments given in Marrakesh (EUR 72.38 billion per year) for the AMS. Moreover, the 'blue box' reached EUR 4.3 billion in the same notification period.

EU DOMESTIC SUPPORT NOTIFIED TO THE WTO (in EUR million)	GREEN BOX (Amount & %)	BLUE BOX (Amount & %)	AMBER BOX (AMS) (Amount & %)	TOTAL SUPPORT NOTIFIED
Period 2011/2012 (G/AG/N/EU/20)	70 976.8 87.8%	2 981.1 3.7%	6 858.9 8.5%	80 816.8 100%
Period 2012/2013 (G/AG/N/EU/26)	71 140.0 89.1%	2 754.2 3.5%	5 899.1 7.4%	79 793.3 100%
Period 2013/2014 (G/AG/N/EU/34)	68 697.8 88.8%	2 663.6 3.4%	5 971.7 7.8%	77 333.1 100%
Period 2014/2015 (G/AG/N/EU/43)	65 256.8 87.3%	2 878.8 3.8%	6 642.3 8.9%	74 777.9 100%
Period 2015/2016 (G/AG/N/EU/46)	60 828.5 84.2%	4 331.1 6.0%	7 101.8 9.8%	72 261.4 100%

ROLE OF THE EUROPEAN PARLIAMENT

The European Parliament has always watched the progress of multilateral negotiations in general, and agricultural negotiations in particular, extremely closely. A number of resolutions bear witness to this (e.g. resolutions of 18 December 1999 on the Third WTO Ministerial Conference in Seattle; of 13 December 2001 on the WTO meeting in Doha; of 12 February 2003 on WTO agricultural trade negotiations; of 25 September 2003 on the Fifth WTO Ministerial Conference in Cancun; of 1 December 2005 on preparations for the Sixth WTO Ministerial Conference in Hong Kong; of 4 April 2006, 9 October 2008, 16 December 2009, 14 September 2011, 21 November 2013 and 26 November 2015 on the assessment of the Doha Round; and of 15 November 2017 on multilateral negotiations in view of the 11th WTO Ministerial Conference in Buenos Aires). The European Parliament has always called on the European Commission to safeguard the interests of European producers and consumers as well as the interests of farmers in those countries with which the European Union has historically had particularly close relations (the ACP countries). In 1999, at the start of the ‘millennium round’, it expressed its support for the approach adopted by the European Union’s negotiators in championing the European agricultural model based on the multi-functionality of the agricultural business. It reiterated this support in several resolutions which also highlighted the importance of expressly acknowledging ‘non-trade concerns’ and taking into account the public’s demands regarding food safety, environmental protection, food quality and animal welfare.

Although the entry into office of the Trump administration in the USA on 20 January 2017 bodes ill for the multilateral trading system, the EU and the European Parliament remain committed to improving the agricultural trading system.

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