



# **WTO Agriculture Talks: Prospects for progress on SDG 2**

Jonathan Hepburn  
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Negotiations on agriculture at the World Trade Organization (WTO) restarted in September 2020 under the guidance of a new chair, Costa Rica’s Ambassador Gloria Abraham Peralta, amid growing fears that the COVID-19 crisis and economic slowdown will hamper progress on the food security aspects of the 2030 Agenda for Sustainable Development.

In 2015, world leaders committed to “correct and prevent trade restrictions and distortions in world agricultural markets” as part of Sustainable Development Goal (SDG) 2 covering hunger, nutrition, food security, and sustainable agriculture (Gadhok et al., 2020; United Nations, 2015). However, conflict, climate change, and persistent poverty and inequality have stymied progress since then, with rising numbers of hungry people, among other troubling trends (Food and Agriculture Organization of the United Nations et al., 2020).

Since the COVID-19 outbreak, new farm subsidy packages and food export restrictions have sparked concern among other WTO members, who fear their own producers and consumers may be harmed (Hepburn et al., 2020; International Institute for Sustainable Development [IISD], 2020a). Reporting on her consultations, the chair said that many trade officials regret that countries applying these measures have not shared information about them transparently (WTO, 2020a).

The chair has also told delegates that farm subsidy reform—covered by WTO talks on “agricultural domestic support”—remains top of the agenda for most of the trade body’s members ahead of the organization’s Twelfth Ministerial Conference (MC12). After the pandemic prompted Kazakhstan to postpone plans to hold the high-level event in the summer of 2020, it is now tentatively slated for June 2021 instead, although no date has definitively been fixed.



## Political Direction Needed

The chair has also said that it is essential that WTO members strike a deal on agriculture when ministers do next meet (WTO, 2020a).

In recent years, members have struggled to make progress in negotiations on the controversial area, despite striking a deal to end agricultural export subsidies at the WTO's Nairobi Ministerial Conference in 2015—an explicit component of SDG target 2b—and two years earlier agreeing to a decision on public food stockholding programs and WTO farm subsidy rules when they met in Bali, Indonesia (WTO, 2013, 2015).

Trade ministers failed to reach any consensus agreement on agriculture when they met in Buenos Aires, Argentina, in 2017, leaving the trade body with no clear roadmap on how talks should proceed.

The WTO's Agreement on Agriculture mandates the continuation of negotiations in its Article 20, but markets for food and farm goods have nonetheless changed immensely in the quarter-century that has elapsed since the treaty entered into force (WTO, 1999).

## Seven Negotiating Areas

The chair has undertaken consultations with delegations in seven ongoing agriculture negotiating areas, building on the work undertaken by her predecessor and his July report on progress to date (WTO, 2020b).

Three of these relate to areas on which rules exist already under the Agreement on Agriculture. These are domestic support to agriculture, where agriculture-exporting countries and most developing countries seek new commitments; market access, covering tariffs on farm goods and other similar border restrictions, where again exporters seek concessions from importing countries; and export competition, covering agricultural export subsidies and other measures seen as similar.

Four other topics are more recent. These include the question of trade in cotton, of particular concern to West African countries; food export restrictions, where importing countries, in particular, have raised concerns; public food stockholding, where certain developing countries favour greater flexibility under WTO farm subsidy rules; and the question of a new “special safeguard mechanism,” which developing countries would be able to use to raise tariffs temporarily in the event of a sudden import surge or price depression.

Eleven facilitators have also been appointed to assist the chair in her work.



Topic	Facilitator
Domestic support	Greg Macdonald (Canada), Fenny Maharani (Indonesia) and Elisa Olmeda (Mexico)
Public stockholding	Craig Douglas (Jamaica)
Market access	Daniel Arboleda (Colombia) and Mariya-Khrystyna Koziy (Ukraine)
Special safeguard mechanism	Renata Cristaldo Oviedo (Paraguay)
Export competition	Laura Gauer (Switzerland)
Export restrictions	Leonardo Rocha Bento (Brazil)
Cotton	Sergio Carvalho (Brazil) and Emmanuel Ouali (Burkina Faso)

## A Changing Trade Landscape

Rapid changes in food and agricultural markets have upended efforts to rewrite the global rulebook on farm trade. In particular, the rise of China, India, and other “emerging” developing countries have led to rapid growth in South–South trade and changed how key players see the talks. Many countries have also fast-tracked efforts to strike bilateral and regional trade deals, depriving WTO talks of the political impetus they need to move ahead.

However, some long-standing farm trade concerns can only be resolved through broad-based collective action, with the question of farm subsidy reform chief among them. The Cairns Group of agricultural exporting countries—including Argentina, Australia, Brazil, Canada, Indonesia, New Zealand, Pakistan, and Vietnam, plus a dozen other members—have long been proponents of reform in this area. The European Union, whose subsidies were for decades a prime target of exporters, has taken successive steps to reform the support it provides, “decoupling” it from prices and production and seeking to shift payments toward rewarding producers for delivering environmental benefits. In contrast, the United States continues to provide substantial levels of support linked directly to farm output, with recent subsidy packages aimed at compensating producers for the impact of the Trump Administration’s trade war with China, and more recently, COVID-19-related disruption. Meanwhile, China and India have emerged as significant providers of agricultural support, prompting concerns from trading partners in both the developed and developing world who fear their own producers could be unfairly disadvantaged. The four WTO members together account for some three-quarters of all support classed as trade-distorting under the trade body’s current rules (Glauber et al., 2020).

High tariffs on farm goods—especially “sensitive” products such as beef, dairy products, or rice—remain another sore point in the talks. With Japan, Switzerland, and the European Union among WTO members maintaining high levels of protection, exporting countries such as Australia, Argentina, and Uruguay would like to see trade barriers reduced and simplified in the talks (International Centre for Trade and Sustainable Development [ICTSD], 2018). WTO members are currently discussing options to improve predictability in this area by addressing what duties should apply to farm goods that have already been shipped before an importer decides to increase its tariff rates.



Following the 2015 Nairobi deal to end agricultural export subsidies, WTO members such as the United States are reluctant to pursue further talks in this area. However, some Cairns Group countries would like to see more done in areas where they consider more progress is needed—in particular, on topics like export credits, food aid, and agricultural exporting state trade enterprises. In the short term, the main focus of proponents is nonetheless on improved transparency rather than stronger disciplines (WTO, 2020b).

Meanwhile, India has spearheaded a push by the G33 developing country coalition to ease WTO rules that require food purchased at government-set prices to count toward the trade body's maximum permitted farm subsidy limits when these purchases are part of public stockholding programs for food security purposes. Proponents want a “permanent solution” to the issue, following a 2014 decision on the topic by the WTO's General Council (ICTSD, 2016). Exporting countries and some other developing countries nonetheless fear that subsidized food purchases could undermine producer livelihoods and food security abroad if stocks end up being exported. G33 members include China, India, Indonesia, and the Philippines, as well as over three dozen other countries in Africa, Latin America, and the Caribbean.

The G33 is also behind efforts to agree on a new “special safeguard mechanism” to help developing countries shield producers from sudden import surges and price depressions. While exporting countries have agreed in principle to the talks in this area, they have nonetheless linked progress on the topic to efforts to improve market access for farm goods. The ensuing deadlock has meant WTO members' negotiating positions remain far apart on this question.

One area where food-importing countries such as Japan and Switzerland would like to see action is the issue of food export restrictions—a topic that has hit the headlines in recent months due to COVID-19 (Hepburn et al., 2020). Numerous WTO members, fearing shortages, initially imposed bans or other limits on exports—although, with ample food stocks and robust farm output, many of these measures have since been lifted. Poor consumers in low-income, food-importing countries are particularly vulnerable if export restrictions in major exporting countries cause world food prices to rise. WTO members are currently discussing options to improve transparency. A separate proposal tabled by Singapore seeks to secure an exemption for United Nations humanitarian food aid purchases from these measures, with a view to concluding an agreement in this area at the WTO's December 16–17, 2020, General Council meeting (IISD, 2020b).

Finally, cotton-producing countries in West Africa have long called for reform of farm subsidies that harm their producers by pushing down prices on world markets. While U.S. cotton support schemes have been a particular focus of the talks in this area, Washington has argued that subsidies provided by China must also be part of any eventual deal.



## Options for Progress

Gloria Abraham Peralta's September report to the negotiating body of the WTO Committee on Agriculture notes that some delegations see three successive time horizons for the talks: short-term work, deliverables for MC12, and a post-MC12 work program.

Many WTO members wish to pursue ambitious results on the trade agenda in the medium to long term while recognizing that compromises with other members might be needed to achieve actual outcomes in the short term. At the same time, delegates may make “linkages” across negotiating areas, which could either increase the potential for a more ambitious outcome or, conversely, increase the likelihood that members veto a package that is seen as delivering inadequate results on the issue of the greatest importance to them.

There are several possible candidates for “low-hanging fruit,” where members could conceivably deliver outcomes in the short term. High on the list is the proposed General Council agreement on World Food Program (WFP) food aid (IISD, 2020b). Efforts to improve transparency and predictability around the shipment of in-transit goods are another such area. Improved transparency on export restrictions—for example, when providing advance notice for these measures—would be a third.

However, the negotiating issues most likely to contribute to more equitable and sustainable markets for food and agriculture are likely to require a lot more work. Chief among these is the question of agricultural domestic support, where negotiating positions remain far apart. One possible compromise could involve capping and gradually cutting all types of support classed as trade-distorting, as Cairns Group countries have proposed, but measuring support as a percentage of the value of production instead of in absolute terms, along the lines favoured by China and India (Glauber et al., 2020). This approach could allow countries to simplify the current rulebook and move toward harmonization of support, supporting fairer competition while also allowing room for low-income country governments to incentivize much-needed investment in the farm sector. Limits on the extent to which support can be concentrated on specific products could help address the concern of cotton-producing countries and support a more sustainable and efficient allocation of global resources.

Although export competition issues have had difficulty gaining traction in the wake of the 2015 agreement in Nairobi, a renewed interest in the role of exporting state trading enterprises could help regenerate interest in the unresolved issues in this area, including those of direct importance to food security, such as the question of how best to prevent food aid from serving as a disguised export subsidy, thereby undermining producers in recipient countries.

A breakthrough on domestic support could galvanize progress in other areas—in particular, in the areas of public stockholding or market access, which many members link directly to the issue of domestic support. On public stockholding, members could consider exempting from reduction commitments support provided when government-set “administered prices” are below the level of international market prices or when food procured represents only a small volume of all farm output in the country (ICTSD, 2016).

On market access, WTO members could consider options for building trust and confidence—for example, by making time-bound commitments based on the concessions they have already made in preferential bilateral and regional trade deals (Falconer, 2016). Especially with the COVID-19 pandemic raising awareness of the importance of predictable, well-functioning global markets and supply chains, progress in this area might be more feasible than before.



Progress on market access could in turn increase the likelihood that WTO members could reach an agreement on a reconceptualized special safeguard mechanism. Such a tool—along with new rules on food export restrictions—could usefully contribute to helping low-income countries better respond to price volatility on world markets. Countries with low bound tariffs might reasonably seek to be provided greater flexibility to raise tariffs temporarily in the event of a sudden import surge or price depression. Similarly, low-income countries with a minimal impact on global markets could make a strong case that they ought to be exempt from more robust disciplines aimed at addressing the use of export restrictions by major food-exporting countries.

With climate change increasing the frequency and intensity of extreme weather events, WTO members will need to ensure that trade rules provide governments with the tools they need to respond to unexpected events without adversely affecting producers or consumers in other countries. Measures that improve the structural allocation of scarce resources in the food system are a necessary complement, along with improved global environmental governance and better domestic policies and regulations.

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### Head Office

111 Lombard Avenue, Suite 325  
Winnipeg, Manitoba  
Canada R3B 0T4

**Tel:** +1 (204) 958-7700  
**Website:** [www.iisd.org](http://www.iisd.org)  
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