WTO AGRICULTURE NEGOTIATIONS
The issues, and where we are now

TABLES UPDATED 21 MARCH 2001

This briefing document explains current agricultural issues raised before and in the current negotiations. It has been prepared by the Information and Media Relations Division of the WTO Secretariat to help public understanding about the agriculture negotiations. It is not an official record of the negotiations.

- An outline of the WTO’s Agriculture Agreement can be found in the section on agriculture in “Trading into the Future” (pages 17–19 in the printed version, or go to http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm3_e.htm on the WTO website).
- Detailed information on agriculture in the WTO can be found at http://www.wto.org/english/tratop_e/agric_e/agric_e.htm.
- Detailed information on the agriculture negotiations (including all current proposals listed here and many statements in response) can be found at http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm.

Contents

<table>
<thead>
<tr>
<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contents</td>
<td>1</td>
</tr>
<tr>
<td>In a nutshell</td>
<td>2</td>
</tr>
<tr>
<td>The proposals received so far</td>
<td>3</td>
</tr>
<tr>
<td>Technical submissions received so far</td>
<td>4</td>
</tr>
<tr>
<td>Countries, alliances and proposals</td>
<td>5</td>
</tr>
<tr>
<td>WTO AGRICULTURE NEGOTIATIONS The issues, and where we are now</td>
<td>7</td>
</tr>
<tr>
<td>Introduction: the present reform programme</td>
<td>7</td>
</tr>
<tr>
<td>Negotiations: first phase ends in March 2001</td>
<td>8</td>
</tr>
<tr>
<td>The mandate: Article 20</td>
<td>8</td>
</tr>
<tr>
<td>The objective: continuing reductions and other issues</td>
<td>9</td>
</tr>
<tr>
<td>Export subsidies and competition</td>
<td>9</td>
</tr>
<tr>
<td>Export restrictions and taxes</td>
<td>10</td>
</tr>
<tr>
<td>Market access: tariffs and tariff quotas</td>
<td>10</td>
</tr>
<tr>
<td>Market access: special agricultural safeguards</td>
<td>12</td>
</tr>
<tr>
<td>Domestic support</td>
<td>13</td>
</tr>
<tr>
<td>Developing countries</td>
<td>15</td>
</tr>
<tr>
<td>Decision on net food-importing developing countries</td>
<td>17</td>
</tr>
<tr>
<td>Transition economies</td>
<td>17</td>
</tr>
<tr>
<td>Non-trade’ concerns and ‘multifunctionality’: agriculture can serve many purposes</td>
<td>17</td>
</tr>
<tr>
<td>Animal welfare and food quality</td>
<td>18</td>
</tr>
<tr>
<td>The peace clause</td>
<td>19</td>
</tr>
<tr>
<td>World trade in agricultural products, 1999</td>
<td>20</td>
</tr>
<tr>
<td>Top 15 agricultural exporters and importers, 1999</td>
<td>20</td>
</tr>
<tr>
<td>Agricultural products’ share in trade, by region, 1999</td>
<td>20</td>
</tr>
</tbody>
</table>
In a nutshell

So far:
- 5 meetings
- 41 proposals
- 3 documents described as notes, technical submissions, discussion papers
- proposals from 90 countries (counting the EU as 15) or 64% of the WTO’s membership; or, including technical submissions, from 96 countries, 69% of the WTO’s membership

<table>
<thead>
<tr>
<th>Proposals /submissions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comprehensive (or covering several topics)</strong></td>
</tr>
<tr>
<td>US, EU, Japan, Switzerland, Mauritius, small island developing states, Rep of Korea, Mali, Norway, India, Poland, Morocco, Turkey, Egypt, Nigeria, Congo (Dem Rep), Kenya, Senegal, Mexico</td>
</tr>
<tr>
<td><strong>Export competition</strong></td>
</tr>
<tr>
<td>Cairns Group, EU</td>
</tr>
<tr>
<td>Mercosur+</td>
</tr>
<tr>
<td>Export restrictions, taxes</td>
</tr>
<tr>
<td>Cairns Group</td>
</tr>
<tr>
<td>Export credits</td>
</tr>
<tr>
<td>Mercosur, Bolivia, Chile, Costa Rica, Guatemala, India and Malaysia</td>
</tr>
<tr>
<td><strong>Domestic support</strong></td>
</tr>
<tr>
<td>Cairns Group, US, Canada</td>
</tr>
<tr>
<td>EU</td>
</tr>
<tr>
<td>Developing countries group (2)</td>
</tr>
<tr>
<td>Transition economies</td>
</tr>
<tr>
<td><strong>Market access</strong></td>
</tr>
<tr>
<td>Canada, Cairns Group, developing countries group (3), transition group, Caricom</td>
</tr>
<tr>
<td>EU</td>
</tr>
<tr>
<td>US</td>
</tr>
<tr>
<td>Swaziland</td>
</tr>
<tr>
<td><strong>Non-trade concerns</strong></td>
</tr>
<tr>
<td>38 countries, Argentina</td>
</tr>
<tr>
<td>Animal welfare</td>
</tr>
<tr>
<td>EU</td>
</tr>
<tr>
<td><strong>Development, S&amp;D</strong></td>
</tr>
<tr>
<td>Developing countries group (1), ASEAN</td>
</tr>
</tbody>
</table>

Other:
- state trading enterprises |
| Mercosur+ |

"Developing countries group" = sponsored some or all of (1) G/AG/NG/W/13 (S&D and development box), (2) G/AG/NG/W/14 (green box), (3) G/AG/NG/W/37 + Corr.1 (market access)

(See page 5 for details of groupings)

Some proposals are still possible before the next meeting

Next meetings:
- 22–23 March (continuing discussions on proposals and other submissions)
- 26–28 March (stock-taking and preparations for next phase)
The proposals received so far

You can download these at: [http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm](http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm)

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1. **G/AG/NG/W/11** Cairns Group: Export Restriction and Taxes — 22 December 2000

2. **G/AG/NG/W/12** Canada: Market Access — 19 June 2000

3. **G/AG/NG/W/13** Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka and El Salvador: Special and Differential Treatment and a Development Box — 23 June 2000


5. **G/AG/NG/W/15** United States: Comprehensive Long-Term Agricultural Trade Reform — 23 June 2000


7. **G/AG/NG/W/17** EU: The Blue Box and Other Support Measures to Agriculture — 28 June 2000


10. **G/AG/NG/W/20** EU: Export Competition — 18 September 2000


12. **G/AG/NG/W/22** Cairns Group: Export Competition — 11 January 2001


14. **G/AG/NG/W/24** ASEAN: Special and Differential Treatment for Developing Countries in World Agricultural Trade — 22 December 2000

15. **G/AG/NG/W/25** Albania, Bulgaria, Croatia, the Czech Republic, Georgia, Hungary, the Kyrgyz Republic, Latvia, Lithuania, Mongolia, Slovak Republic and Slovenia: Domestic Support — Additional Flexibility for Transition Economies — 14 November 2000


17. **G/AG/NG/W/27** US: Tariff Rate Quota Reform — 14 November 2000


20. **G/AG/NG/W/30** Canada: Domestic Support — 21 December 2000


23. **G/AG/NG/W/33** Swaziland: Market Access Under Special and Differential Treatment for Developing Countries — 22 December 2000


25. **G/AG/NG/W/35** Barbados, Cuba, Dominica, Jamaica, Mauritius, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, and Trinidad and Tobago: Proposals by small island developing states (SIDS) — 29 December 2000


27. **G/AG/NG/W/37** Mail: Negotiating Proposal — 11 January 2001


32. **G/AG/NG/W/42** Aqaba, Brazil, Paraguay and Uruguay (MERCOSUR), Bolivia, Chile and Colombia: State Trading Enterprises — 23 January 2001

33. **G/AG/NG/W/43** Mauritius: Negotiating Proposal — 5 February 2001

34. **G/AG/NG/W/44** Turkey: Negotiating Proposal — 5 February 2001

Agriculture negotiations: where we are now


41. G/AG/NG/W/139 Mercosur (Argentina, Brazil, Paraguay and Uruguay), Bolivia, Chile, Costa Rica, Guatemala, India and Malaysia: Export credits — 20 March 2001

Technical submissions received so far

You can download these at: http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm

1. G/AG/NG/W/36 and G/AG/NG/W/36/Rev.1 Barbados, Burundi, Cyprus, Czech Republic, Estonia, the European Communities, Fiji, Iceland, Israel, Japan, Korea, Latvia, Liechtenstein, Malta, Mauritius, Mongolia, Norway, Poland, Romania, Saint Lucia, Slovak Republic, Slovenia, Switzerland, and Trinidad and Tobago: Submission on Non-Trade Concerns — 22 September 2000; Revision — 9 November 2000

2. G/AG/NG/W/38 Argentina, Brazil, Paraguay and Uruguay (MERCOSUR), Chile, Bolivia and Costa Rica: Discussion paper on Export Subsidies — Food Security or Food Dependency? — 27 September 2000

Countries, alliances and proposals
Members that have submitted proposals and technical papers, with an indication of groupings and alignments based on joint-authorship

Details at: http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm

1. Albania (transition: domestic support)
2. Antigua and Barbuda (Caricom)
3. Argentina (Cairns Group, Mercosur)
4. Australia (Cairns Group)
5. Barbados (non-trade concerns) (Caricom) (small island developing states)
6. Belize (Caricom)
7. Bolivia (Cairns Group, "Mercosur+" 1, 2)
8. Brazil (Cairns Group, Mercosur)
9. Brunei (ASEAN)
10. Bulgaria (transition: domestic support, market access)
11. Burundi (non-trade concerns)
12. Canada (Cairns Group + own proposals on market access, supplementary proposal on domestic support)
13. Chile (Cairns Group, "Mercosur+" 1, 2)
14. Colombia (Cairns Group, "Mercosur+" 2)
15. Congo, Democratic Rep
16. Costa Rica (Cairns Group, "Mercosur+" 1)
17. Croatia (transition: domestic support, market access)
18. Cuba (developing country grouping 1, 2, 3) (small island developing states)
19. Cyprus (non-trade concerns)
20. Czech Republic (transition: domestic support, market access) (non-trade concerns)
21. Dominican Republic (developing country grouping 1, 2, 3)
22. Ecuador (transition: domestic support, market access)
23. Egypt
24. El Salvador (developing country grouping 1, 2, 3)
25. Estonia (transition: market access) (non-trade concerns)
26–40: EU (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, UK) (own proposals + non-trade concerns)
41. Fiji (Cairns Group + non-trade concerns)
42. Georgia (transition: domestic support, market access)
43. Grenada (Caricom)
44. Guatemala (Cairns Group)
45. Guyana (Caricom)
46. Haiti (developing country grouping 1, 2, 3)
47. Honduras (developing country grouping 1, 2, 3)
48. Hungary (transition: domestic support, market access)
49. Iceland (non-trade concerns)
50. India (own proposal + developing country grouping 3)
51. Indonesia (Cairns Group, ASEAN)
52. Israel (non-trade concerns)
53. Jamaica (small island developing states) (Caricom)
54. Japan (own proposal + non-trade concerns)
55. Kenya (developing country grouping 1, 2, 3)
56. Korea, Republic (own proposal + non-trade concerns)
57. Kyrgyz Republic (transition: domestic support, market access)
58. Latvia (transition: domestic support, market access) (non-trade concerns)
59. Liechtenstein (non-trade concerns)
60. Lithuania (transition: domestic support, market access)
61. Malaysia (Cairns Group, ASEAN)
62. Mali
63. Malta (non-trade concerns)
64. Mauritius (own proposal + small island developing states) (non-trade concerns)
65. Mexico
66. Mongolia (transition: domestic support) (non-trade concerns)
67. Morocco
68. Myanmar (ASEAN)
69. New Zealand (Cairns Group)
70. Nicaragua (developing country grouping 1, 2, 3)
71. Nigeria (own proposal + developing country grouping 3)
72. Norway (own proposal + non-trade concerns)
73. Pakistan (developing country grouping 1, 2, 3)
74. Paraguay (Cairns Group, Mercosur)
75. Philippines (Cairns Group, ASEAN)
76. Poland (own proposal + non-trade concerns)
77. Romania (non-trade concerns)
78. Saint Kitts and Saint Nevis (small island developing states) (Caricom)
79. Saint Lucia (non-trade concerns) (Caricom)
80. Saint Vincent and the Grenadines (small island developing states) (Caricom)
81. Sénégal
82. Singapore (ASEAN)
83. Slovak Republic (transition: domestic support, market access) (non-trade concerns)
84. Slovenia (transition: domestic support, market access) (non-trade concerns)
85. South Africa (Cairns Group)
86. Sri Lanka (developing country grouping 1, 2, 3)
87. Suriname (Caricom)
88. Swaziland
89. Switzerland (own proposal + non-trade concerns)
90. Thailand (Cairns Group, ASEAN)
91. Trinidad and Tobago (small island developing states) (non-trade concerns)
92. Turkey
93. Uganda (developing country grouping 1, 2, 3)
94. United States
95. Uruguay (Cairns Group, Mercosur)
96. Zimbabwe (developing country grouping 1, 2, 3)
KEY TO THE GROUPS:

ASEAN (members of WTO):
Bruneli, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand

Cairns Group (G/AG/NG/W/11, 35, 54, 93):
Argentina, Bolivia, Brazil, Canada (G/AG/NG/W/11, 35, 93), Chile, Colombia, Costa Rica,
Fiji (G/AG/NG/W/11, 35), Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South
Africa, Thailand, Uruguay

Caricom:
Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St Kitts and Nevis, St Lucia,
St Vincent and the Grenadines, Trinidad and Tobago, Suriname

"Developing country grouping" = joint sponsors of:

(1) G/AG/NG/W/13 (S&D and development box): Cuba, Dominican Republic, Honduras, Pakistan, Haiti,
Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka, El Salvador

(2) G/AG/NG/W/14 (green box): Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya,
Uganda, Zimbabwe, Sri Lanka, El Salvador

(3) G/AG/NG/W/37 + Corr.1 (market access): Cuba, Dominican Republic, El Salvador, Haiti, Honduras,
Kenya, India, Nigeria, Pakistan, Sri Lanka, Uganda, Zimbabwe

Mercosur:
Argentina, Brazil, Paraguay, Uruguay

"Mercosur+" = joint sponsors of:

(1) G/AG/NG/W/38: Mercosur + Bolivia, Chile, Costa Rica

(2) G/AG/NG/W/104: Mercosur + Bolivia, Chile, Colombia

Mercosur, Bolivia, Chile, Costa Rica, Guatemala, India and Malaysia sponsored proposal
G/AG/NG/W/139 on export credits

"Non-trade concerns" = 38 countries that sponsored note G/AG/NG/W/36/Rev.1 (conference papers on non-
trade concerns):
Barbados, Burundi, Cyprus, Czech Republic, Estonia, EU, Fiji, Iceland, Israel, Japan, Korea, Latvia,
Liechtenstein, Malta, Mauritius, Mongolia, Norway, Poland, Romania, Saint Lucia, Slovak Republic, Slovenia,
Switzerland, Trinidad and Tobago

"Small island developing states" (SIDS):
Barbados, Cuba, Dominica, Jamaica, Mauritius, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines,
Trinidad and Tobago

"Transition" = joint sponsors of:

(1) G/AG/NG/W/56 (domestic support): Albania, Bulgaria, Croatia, the Czech Republic, Georgia, Hungary,
the Kyrgyz Republic, Latvia, Lithuania, Mongolia, Slovak Republic, Slovenia

(2) G/AG/NG/W/57 (market access): Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Kyrgyz Republic,
Latvia, Slovak Republic, Slovenia, Croatia, Lithuania
Introduction: the present reform programme

Up to 1995, GATT rules were largely ineffective in disciplining key aspects of agricultural trade. In particular, export and domestic subsidies came to dominate many areas of world agricultural trade, while the stricter disciplines on import restrictions were often flouted. The 1986–1994 Uruguay Round negotiations went a long way towards changing all that.

Agriculture trade is now firmly within the multilateral trading system. The WTO Agriculture Agreement, together with individual countries’ commitments to reduce export subsidies, domestic support and import duties on agricultural products were a significant first step towards reforming agricultural trade.

The reform strikes a balance between agricultural trade liberalization and governments’ desire to pursue legitimate agricultural policy goals, including non-trade concerns (see below).

It has brought all agricultural products (as listed in the agreement) under more effective multilateral rules and commitments, including “tariff bindings” — WTO members have bound themselves to maximum tariffs on nearly all agricultural products, while many industrial tariffs remain unbound.

For the first time, member governments are committed to reducing agricultural export subsidies and trade-distorting domestic support. They have agreed to prohibit subsidies that exceed negotiated limits for specific products. And the commitments to reduce domestic support are a major innovation and are unique to the agricultural sector.

The Uruguay Round agreement set up a framework of rules and started reductions in protection and trade-distorting support. But this was only the first phase of the reform. Article 20 of the Agriculture Agreement (see below, on page 8) committed members to start negotiations on continuing the reform at the end of 1999 (or beginning of 2000). Those negotiations are now well underway, using Article 20 as their basis.
Negotiations: first phase ends in March 2001

The negotiations began in early 2000 and are now nearing the end of their first phase. So far, 93 member governments (two thirds of the 140 members) have submitted 36 proposals and three technical documents, with more promised before the phase ends. Five negotiating meetings (officially called “special sessions” of the Agriculture Committee) have been held so far: in March, June, September and November 2000, and February 2001. The next meeting will be in March 2001. It will continue the practice of the previous meetings in which proposals and other papers received so far are examined. Participants will also take stock of all the proposals submitted and consider what to do in the next phase and how long that should take.

The timetable for this first stage was agreed at the March 2000 meeting. It included a deadline of 31 December 2000 for countries’ proposals to be submitted — with flexibility for additional or more detailed proposals early in 2001.

The proposals already received cover all major areas of the agriculture negotiations and a few new ones. Several proposals (so far from the US, EU, Japan, Switzerland, Mauritius, India, etc) are “comprehensive”, i.e. they cover a full range of subjects for negotiation. Some deal with specific subjects.

Although the views expressed in the papers and during the meetings have been very wide, that is not surprising at this early stage. The next stages will probably be tougher. Broad political decisions will be needed to narrow the gaps between the various positions. At the same time, a lot of technical detail will need to be worked out.

To assist the negotiations, the Secretariat has so far produced 22 background papers at the request of members. Most of these can be found in the G/AG/NG/S series of official documents (see http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm).

The mandate: Article 20

The negotiations are being conducted under Article 20 of the Agriculture Agreement (see box above). This says WTO members have to negotiate to continue the reform of agricultural trade.

The direction of the reform is clearly set out in the article — “substantial progressive reductions in support and protection resulting in fundamental reform”.

The negotiations are difficult because of the wide range of views and interests among member governments. They aim to contribute to further liberalization of agricultural trade. This will benefit those countries which can compete on quality and price rather than on the size of their subsidies. That is particularly the case for many developing countries whose economies depend on an increasingly diverse range of primary and processed agricultural products, exported to an increasing variety of markets, including to other developing countries.

The following issues are among those that have been raised in the negotiations.
The objective: continuing reductions and other issues

Further substantial reductions in tariffs, domestic support and export subsidies are prominent issues in the negotiations. In addition, some countries say an important objective of the new negotiations should be to bring agricultural trade under the same rules and disciplines as trade in other goods. Some others, reject the idea for a number of reasons (for example, see “non-trade concerns and multifunctionality”, below on page 17).

This is sometimes translated into conceptual differences. Some countries have described the mandate given by Article 20 as a “tripod” whose three legs are export subsidies, domestic support, and market access. Non-trade concerns and special and differential treatment for developing countries would be taken into account as appropriate. Others say it is a “pentangle” whose five sides also include non-trade concerns and special and differential treatment for developing countries as separate issues in their own right. So far, these differences of approach have not delayed the discussions.

Export subsidies and competition

Some countries are proposing the total elimination of all forms of export subsidies, in some cases with a deep reductions right at the start of the next period as a “downpayment”. Others are prepared to negotiate further progressive reductions without going so far as the subsidies’ complete elimination, and without any “downpayment”.

In addition, some countries would like to extend and improve the rules for preventing governments getting around (“circumventing”) their commitments — including the use of state trading enterprises, food aid and subsidized export credits.

Some countries, such as Switzerland, propose additional flexibility to allow subsidies on some products to increase when subsidies on other products are reduced.

Several developing countries complain that the rules are unequal. They object in particular to the fact that developed countries are allowed to continue to spend large amounts on export subsidies while developing countries cannot because they lack the funds, and because only those countries that originally subsidized exports were allowed to continue subsidizing — albeit at reduced levels. One group of developing countries compares the effect of various types of export subsidies with “dumping” that harms their farmers. As a result of all of these concerns, some proposals envisage sharply different terms for developing countries. ASEAN and India, for example, proposes scrapping all developed countries’ export subsidies while allowing developing countries to subsidize for specific purposes such a marketing.

Who can subsidize exports?

25 WTO members can subsidize exports, but only for products on which they have commitments to reduce the subsidies. Those without commitments cannot subsidize agricultural exports at all. Some among the 25 have decided to greatly reduce their subsidies or drop them completely. In brackets are the numbers of products involved for each country.


The agreement includes certain temporary exemptions for developing countries, allowing them to subsidize marketing, cost reduction and transport (Art 9.4)

For more details, see WTO Secretariat background paper “Export subsidies” G/AG/NG/S/5, downloadable from http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm #secretariat

Proposals on export subsidies and competition submitted so far (see also proposals on developing countries and on non-trade concerns)

• Cairns Group: export competition G/AG/NG/W/11
• 11 developing countries: (some aspects of) special and differential treatment and a development box G/AG/NG/W/13
Export restrictions and taxes

A number of importing countries, for example Japan, say their food supplies could be disrupted if exporting countries restrict exports. They propose disciplines on export restrictions, for example converting them to taxes that would then be reduced (similar to “tariffication” of import restrictions). Switzerland proposes eliminating these completely, but with some flexibility for developing countries.

The Cairns Group of net exporters has submitted a similar proposal, but linked it to reductions in “tariff escalation” — i.e. higher duties on processed products, which hamper the development of processing industries in countries that produce raw materials. The group also proposes flexibility for developing countries.

Proposals which mention export restrictions submitted so far

- US: comprehensive proposal G/AG/NG/W/15
- Japan: proposal G/AG/NG/W/91
- Cairns Group: export restrictions and taxes G/AG/NG/W/93
- Switzerland: proposal G/AG/NG/W/94
- Rep of Korea: proposal G/AG/NG/W/98

Market access: tariffs and tariff quotas

Nowadays, among WTO members agricultural products are protected only by tariffs. All non-tariff barriers had to be eliminated or converted to tariffs as a result of the Uruguay Round (the conversion was known as “tariffication”). In some cases, the calculated equivalent tariffs — like the original measures that were tariffied — were too high to allow any real opportunity for imports. So a system of tariff-rate quotas was created to maintain existing import access levels, and to provide minimum access opportunities. This means lower tariffs within the quotas, and higher rates for quantities outside the quotas.

1 Except for Rep of Korea, and the Philippines for rice; and Israel for sheepmeat, whole milk powder and certain cheeses; and except when other WTO rules apply, for example sanitary and phytosanitary measures, technical barriers to trade, balance-of-payments conditions, general safeguards, etc.
Agriculture negotiations: where we are now

The discussion since the Uruguay Round has focused broadly on two issues: the high levels of tariffs outside the quotas (with some countries pressing for larger cuts on the higher tariffs), and the quotas themselves — their size and the way they have been administered.

**The tariffs:** The discussion of tariffs covers both tariffs on quantities within quotas and those outside. Traditionally, the tariff reductions that resulted from trade negotiations came from bilateral product-by-product bargaining, or they were based on formulas that applied over a broad range of products, or combinations of the two. How the reductions will be handled in the present negotiations is still undecided. Some countries — such as Canada and the US — are advocating that in addition, “sectoral liberalization” should be negotiated. This is sometimes called a “zero-for-zero” deal. It would include negotiating the complete elimination of tariffs (and possibly other measures such as export subsidies or subsidized export credits) by at least the key WTO members in specific sectors such as oilseeds, and barley and malt

One country, the US, has gone so far as to argue that because so many agricultural tariffs are high, the negotiations to reduce tariffs should start with “applied rates” (the tariffs governments actually charge on agricultural imports) and not the generally higher “bound rates” (the legally binding ceilings committed in the WTO as a result of previous negotiations). This has proved quite controversial because it would break a tradition of basing negotiations on bound rates. A number of countries have also countered that they should be given credit for unilaterally applying tariffs that are more liberal than the negotiated bound rates, instead of being forced to make even deeper cuts than countries that kept to their higher bound rates.

A number of developing countries also complain that they face difficulty if they try to increase their incomes by processing the agricultural raw materials that they produce. This is because the countries they see as potential export markets impose higher duties on processed imports than on the raw materials — known as tariff escalation — in order to protect their own processing industries.

Some countries see tariffs and other import barriers as necessary in order to protect domestic production and maintain food security. For this reason, some countries are linking lower import barriers with disciplines on other countries’ export restraints and export taxes — if producing countries do not restrict their exports, then importing countries can feel more secure about being able to obtaining food from them.

**The tariff quotas:** Quota administration is a technical subject, but it has a real impact on trade — on whether a product exported from one country can gain access to the market of another country at the lower, within-quota tariff.

Methods used for giving exporters access to quotas include first-come, first-served allocations, import licensing according to historical shares and other criteria, administering through state trading enterprise, bilateral agreements, and auctioning. The terms can also specify time periods for using the quotas, for example periods of time for applying for licences, or for delivering the products to the importing countries. Exporters are sometimes concerned that their ability to take advantage of tariff quotas can be handicapped because of the way the

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<thead>
<tr>
<th>Who has tariff quotas?</th>
</tr>
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<tbody>
<tr>
<td>37 WTO members currently have a combined total of 1,371 tariff quotas in their commitments. The numbers in brackets show how many quotas each country has. Of the total, 560 are scheduled to increase over the relevant implementation period, 806 to remain unchanged and 5 to decrease in quantity.</td>
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<tr>
<td>Australia (2)</td>
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<td>Barbados (36)</td>
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<tr>
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<tr>
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<td>Czech Republic (24)</td>
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<tr>
<td>Ecuador (14)</td>
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<td>El Salvador (11)</td>
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<tr>
<td>EU (87)</td>
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<td>Nicaragua (9)</td>
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<td>Guatemala (22)</td>
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</table>

For more details, see WTO Secretariat background paper "Tariff and other Quotas" G/AG/NG/S/7, downloadable from http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm#secretariat
quotas are administered. Sometimes they also complain that the licensing timetables put them at a disadvantage when production is seasonal and the products have to be transported over long distances.

Each method has advantages and disadvantages, and many WTO members acknowledge that it can be difficult to say conclusively whether one method is better than another. Several countries want the negotiations to deal with tariff quotas: to replace them with low tariffs, to increase their size, to sort out what they consider to be restricting and non-transparent allocation methods, or to clarify which methods are legal or illegal under WTO rules in order to provide legal certainty.

Proposals on market access submitted so far
(see also proposals on developing countries and on non-trade concerns)

- Canada: market access G/AG/NG/W/12
- 11 developing countries: (some aspects of) special and differential treatment and a development box G/AG/NG/W/13
- US: (part of) a comprehensive proposal G/AG/NG/W/15
- EU: Food quality: improvement of market access opportunities G/AG/NG/W/18
- 12 developing countries: market access G/AG/NG/W/37 + Corr.1
- Cairns Group: market access G/AG/NG/W/54
- ASEAN: (some aspects of) special and differential treatment for developing countries in world agricultural trade G/AG/NG/W/55
- 11 transition economies: market access G/AG/NG/W/57
- US: tariff rate quota reform G/AG/NG/W/58
- EU: (part of) comprehensive negotiating proposal G/AG/NG/W/90
- Japan: (part of) proposal G/AG/NG/W/91
- Switzerland: (part of) proposal G/AG/NG/W/94
- Swaziland: market access under special and differential treatment for small developing countries G/AG/NG/W/95
- Mauritius: (part of) proposal G/AG/NG/W/96
- Small island developing states: (part of) proposal G/AG/NG/W/97
- Rep of Korea: (part of) proposal G/AG/NG/W/98
- Mali: (part of) proposal G/AG/NG/W/99
- Caricom: (part of) proposal G/AG/NG/W/100
- Norway: (part of) proposal G/AG/NG/W/101
- India: (part of) proposal G/AG/NG/W/102
- Poland: (part of) proposal G/AG/NG/W/103
- “Mercosur+”: state trading enterprises G/AG/NG/W/104
- Morocco: (part of) proposal G/AG/NG/W/105
- Turkey: (part of) proposal G/AG/NG/W/106
- Egypt: (part of) proposal G/AG/NG/W/107
- Nigeria: (part of) proposal G/AG/NG/W/130

Market access: special agricultural safeguards

Safeguards are contingency restrictions on imports taken temporarily to deal with special circumstances such as a sudden surge in imports. They normally come under the Safeguards Agreement, but the Agriculture Agreement has special provisions (Article 5) on safeguards.

The special safeguards provisions for agriculture differ from normal safeguards (see details in “Trading into the Future”, pages 31–32). In agriculture, unlike with normal safeguards:

- higher safeguards duties can be triggered automatically when import volumes rise above a certain level, or if prices fall below a certain level; and
- it is not necessary to demonstrate that serious injury is being caused to the domestic industry.
The special agricultural safeguard can only be used on products that were tariffied — which amount to less than 20% of all agricultural products (as defined by “tariff lines”). But they cannot be used on imports within the tariff quotas, and they can only be used if the government reserved the right to do so in its schedule of commitments on agriculture. In practice, the special agricultural safeguard has been used in only a few cases.

Proposals range from continuing with the provision in its current form, to its abolition, or its revision to prevent its use on products from developing countries. Some developing countries have proposed that only they would be allowed to use special safeguards — developed countries would not be allowed to do so.

Japan and Rep of Korea propose a new form of special safeguard that would apply to perishable and seasonal products.

The right to use the special agricultural safeguard would lapse if there is no agreement in the negotiations to continue the “reform process” initiated in the Uruguay Round (see Articles 5.9 and 20 of the Agriculture Agreement).

### Domestic support

In WTO terminology, subsidies in general are identified by “boxes” which are given the colours of traffic lights: green (permitted), amber (slow down — i.e. be reduced), red (forbidden). In agriculture, things are, as usual, more complicated. The Agriculture Agreement has no red box, although domestic support exceeding the reduction commitment levels in the amber box is prohibited; and there is a blue
box for subsidies that are tied to programmes that limit production. There are also exemptions for developing countries (sometimes called an “S&D box”).

**The ‘amber box’**

For agriculture, all domestic support measures considered to distort production and trade (with some exceptions) fall into the amber box. The total value of these measures must be reduced. Various proposals deal with how much further these subsidies should be reduced, and whether limits should be set for specific products rather than having overall “aggregate” limits.

**The ‘green box’**

In order to qualify for the “green box”, a subsidy must not distort trade, or at most cause minimal distortion. These subsidies have to be government-funded (not by charging consumers higher prices) and must not involve price support. They tend to be programmes that are not directed at particular products, and include direct income supports for farmers that are not related to (are “decoupled” from) current production levels or prices. “Green box” subsidies are therefore allowed without limits, provided they comply with relevant criteria. They also include environmental protection and regional development programmes (for details, see Article 6 and Annex 2 of the Agriculture Agreement). Canada has proposed setting limits on all “boxes” combined, which would mean limits on green box subsidies as well.

Some countries say they would like to review the domestic subsidies listed in the green box because they believe that some of these, in certain circumstances, could have an influence on production or prices. Some others have said that the green box should not be changed because it is already satisfactory. Some say the green box should be expanded to cover additional types of subsidies.

**The ‘blue box’**

The blue box is an exemption from the general rule that all subsidies linked to production must be reduced or kept within defined minimal (“de minimis”) levels. It covers payments directly linked to acreage or animal numbers, but under schemes which also limit production by imposing production quotas or requiring farmers to set aside part of their land. Countries using these subsidies — and there are only a handful — say they distort trade less than alternative amber box subsidies. Currently, the only members notifying the WTO that they are using or have used the blue box are: the EU, Norway, and the Slovak Republic (so far only in 1995–97).

At the moment, the blue box is a permanent provision of the agreement. Some countries want it scrapped because the payments are only partly decoupled from production, or they are proposing commitments to reduce the use of these subsidies. Others say the blue box is an important tool for supporting and reforming agriculture, and for achieving certain “non-trade” objectives, and argue that
it should not be restricted as it distorts trade less than other types of support (see below on page 17).
The EU says it is prepared to consider negotiating restrictions on the blue box although they oppose scrapping it completely.

Proposals on domestic support submitted so far
(see also proposals on developing countries and on non-trade concerns)

- **11 developing countries**: Green Box/Annex 2 subsidies G/AG/NG/W/14
- **US**: (part of) a comprehensive proposal G/AG/NG/W/15
- **US**: discussion note on domestic support reform G/AG/NG/W/16
- **EU**: the blue box and other support measures to agriculture G/AG/NG/W/17
- **Cairns Group**: domestic support G/AG/NG/W/35
- **ASEAN**: (some aspects of) special and differential treatment for developing countries in world agricultural trade G/AG/NG/W/55
- **12 transition economies**: domestic support — additional flexibility for transition economies G/AG/NG/W/56
- **EU**: (part of) comprehensive negotiating proposal G/AG/NG/W/90
- **Japan**: (part of) proposal G/AG/NG/W/91
- **Canada**: domestic support G/AG/NG/W/92
- **Switzerland**: (part of) proposal G/AG/NG/W/94
- **Swaziland**: market access under special and differential treatment for small developing countries G/AG/NG/W/95
- **Mauritius**: (part of) proposal G/AG/NG/W/96
- **Rep of Korea**: (part of) proposal G/AG/NG/W/98
- **Mali**: (part of) proposal G/AG/NG/W/99
- **Norway**: (part of) proposal G/AG/NG/W/101
- **India**: (part of) proposal G/AG/NG/W/102
- **Poland**: (part of) proposal G/AG/NG/W/103
- **Morocco**: (part of) proposal G/AG/NG/W/105
- **Turkey**: (part of) proposal G/AG/NG/W/106
- **Egypt**: (part of) proposal G/AG/NG/W/107
- **Nigeria**: (part of) proposal G/AG/NG/W/130

**Developing countries**

Developing countries are active in agriculture negotiations and several groups have put their names to negotiating proposals. In general, they reflect a diverse range of interests in the debate, and the distinctions are not always clear.

For example, the Cairns Group — which favours much greater liberalization in agricultural trade — is an alliance that cuts across the developed-developing country boundaries. Fifteen of its 18 members are developing countries. Like most WTO members, the Cairns Group would also like to see developing countries given some kind of “special and differential” treatment to take account of their needs.

Several developing countries have submitted proposals that would lead to clearly separate rules for developed and developing countries. Some proposals are jointly sponsored. One is from a group of 11 countries. Another is from WTO members from the Association of Southeast Asian Nations (ASEAN), four of whom are also in the Cairns Group. There are also proposals from small island developing states, Caricom, and individual member governments such as Swaziland, Mali, India, Morocco, Turkey and Egypt.

Some countries say WTO arrangements should be more flexible so that developing countries can support and protect their agricultural and rural development and ensure the livelihoods of their large agrarian populations whose farming is quite different from the scale and methods in developing countries.

They argue, for example, that subsidies and protection are needed to ensure food security, to support small scale farming, to make up for a lack of capital, or to prevent the rural poor from migrating into...
already over-congested cities. India’s and Nigeria’s proposals are among those that emphasize food security issues for developing countries.

At the same time, some developing countries make a clear distinction between their needs and what they consider to be the desire of much richer countries to spend large amounts subsidizing agriculture at the expense of poorer countries.

Many developing countries complain that their exports still face high tariffs and other barriers in developed countries’ markets and that their attempts to develop processing industries are hampered by tariff escalation (higher import duties on processed products compared to raw materials). They want to see substantial cuts in these barriers.

On the other hand, some smaller developing countries have expressed concerns about import barriers in developed countries falling too fast. They say they depend on a few basic commodities that currently need preferential treatment (such as duty-free trade) in order to preserve the value of their access to richer countries’ markets. If normal tariffs fall too fast, their preferential treatment is eroded, they say. Some developing countries see this situation as almost permanent. Others, such as Caricom, view it as a transition, and are calling for binding commitments on technical and financial assistance to help them adjust, including the creation of a technical assistance fund for the purpose.

Some developed and developing countries have argued that all developing countries should participate in liberalization and integration into world markets, even if the terms are more relaxed. (In the 1986–94 Uruguay Round negotiations, participants agreed that the rules and disciplines to be negotiated would be equally applied to all member governments.)

WTO statistics show that developing countries as a whole have seen a significant increase in agricultural exports. Agricultural trade rose globally by nearly $100bn between 1993 and 1998. Of this, developing countries’ exports rose by around $47bn — from $120bn to $167bn in the period. Their share of world agricultural exports increased from 40.1% to 42.4%. But within the group, some individual developing countries have seen their agricultural trade balance deteriorate — their imports have risen faster than their exports. (For more details, see WTO Secretariat background paper “Agricultural Trade Performance by Developing Countries, 1990–98” G/AG/NG/S/6 downloadable from [http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm#secretariat](http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm#secretariat)).

Proposals specifically on developing countries submitted so far (several other proposals also contain items on developing countries)

- **11 developing countries**: special and differential treatment and a development box G/AG/NG/W/13
- **ASEAN**: special and differential treatment for developing countries in world agricultural trade G/AG/NG/W/55
- **Swaziland**: market access under special and differential treatment for small developing countries G/AG/NG/W/95
- **Mauritius**: (part of) proposal G/AG/NG/W96
- **Small island developing states**: (part of) proposal G/AG/NG/W/97
- **Mali**: (part of) proposal G/AG/NG/W/99
- **Caricom**: (part of) proposal G/AG/NG/W/100
- **India**: (part of) proposal G/AG/NG/W/102
- **Morocco**: (part of) proposal G/AG/NG/W/105
- **Turkey**: (part of) proposal G/AG/NG/W/106
- **Egypt**: (part of) proposal G/AG/NG/W/107
- **Nigeria**: (part of) proposal G/AG/NG/W/130

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2 Excluding trade within the European Union.
Agriculture negotiations: where we are now

Decision on net food-importing developing countries

A number of developing countries which depend on imports for their food supply are also concerned about possible rises in world food prices as a result of reductions in richer countries’ subsidies. Although they accepted that higher prices can benefit farmers and increase domestic production, they feel that their concerns about food imports need to be addressed more effectively.

The WTO agreements include a Decision on the Possible Negative Effects of the Reform Programme on Least-Developed and Net-Food Importing Developing Countries. As a result of this decision the Food Aid Convention was recently renegotiated and concluded in July 1999 in the International Grains Council. The WTO Committee on Agriculture also regularly reviews actions within the framework of the decision, in such areas as technical and financial assistance provided by industrialized countries to least-developed and net-food importing countries to assist in improving their agricultural productivity and infrastructure.

Proposals emphasizing this submitted so far

- Small island developing states: (part of) proposal G/AG/NG/W/97
- Egypt: (part of) proposal G/AG/NG/W/107
- Nigeria: (part of) proposal G/AG/NG/W/130

Transition economies

So far, two proposals deal specifically with concerns of countries in transition from central planning to market economies. They deal with domestic support and market access. These countries say that shortage of capital, lack of a well-functioning credit system, government budget constraints and other problems they are experiencing in the transition mean that exposing agriculture to market forces would disrupt the sector.

For domestic support, these countries are calling for extra flexibility in providing certain subsidies (for example for debt and interest payments) and in general allow them higher ceilings on amounts of support that are considered small enough (“de minimis”) not to be counted in reduction commitments. Under market access they want to continue protecting some of their own products with existing tariff levels — without having to reduce them further — including those that already have low tariffs. They also want to negotiate the removal of non-tariff barriers in their export markets.

These countries stress that the flexibility would be temporary — so long as the problems of transition persist — and would not lead to additional distortions in agricultural trade.

Proposals on transition economies submitted so far

- 12 transition economies: domestic support — additional flexibility for transition economies G/AG/NG/W/56
- 11 transition economies: market access G/AG/NG/W/57

‘Non-trade’ concerns and ‘multifunctionality’: agriculture can serve many purposes

The Agriculture Agreement provides significant scope for governments to pursue important “non-trade” concerns such as food security, the environment, structural adjustment, rural development, poverty alleviation, and so on. Article 20 says the negotiations have to take non-trade concerns into account.

A number of countries have produced studies to support their arguments, and these studies have also been debated — in particular, 38 countries submitted a note for the September 2000 meeting that includes their papers for a conference on non-trade concerns. Some other countries responded by
agreeing that everyone has non-trade concerns and by calling for proposals for specific measures to be
tabled so that the negotiations can move on to whether trade-distorting measures are really justified.

Most countries accept that agriculture is not only about producing food and fibre but also has other
functions, including these non-trade objectives — although some dislike the buzzword “multifunc-
tionality”. The question debated in the WTO is whether “trade-distorting” subsidies, or subsidies outside
the “green box”, are needed in order to help agriculture perform its many roles.

Some countries say all the objectives can and should be achieved more effectively through “green
box” subsidies which are targeted directly at these objectives and by definition do not distort trade. Examples include food security stocks, direct payments to producers, structural adjustment assistance, safety-net programmes, environmental programmes, and regional assistance programmes which do not stimulate agricultural production or affect prices. These countries say the onus is on the proponents of non-trade concerns to show that the existing provisions, which were the subject of lengthy negotiations in the Uruguay Round, are inadequate for dealing with these concerns in targeted, non-trade distorting ways.

Other countries say the non-trade concerns are closely linked to production. They believe subsidies
based on or related to production are needed for these purposes. For example, rice fields have to be
promoted in order to prevent soil erosion, they say.

Countries such as Japan, Rep of Korea and Norway place a lot of emphasis on the need to tackle agri-
culture’s diversity as part of these non-trade concerns. The EU’s proposal says non-trade concerns
should be targeted (e.g. environmental protection should be handled through environmental protection
programmes), transparent and cause minimal trade distortion.

Many exporting developing countries say proposals to deal with non-trade concerns outside the
“green box” of non-distorting domestic supports amount to a form of special and differential treat-
ment for rich countries. Several even argue that any economic activity — industry, services and so on
— have equal non-trade concerns, and therefore if the WTO is to address this issue, it has to do so in
all areas of the negotiations, not only agriculture. Some others say agriculture is special.

Proposals emphasizing non-trade concerns or multifunctionality submitted so far include:

- EU: (part of) comprehensive negotiating proposal G/AG/NG/W/90
- Japan: (part of) proposal G/AG/NG/W/91
- Switzerland: (part of) proposal G/AG/NG/W/94
- Mauritius: (part of) proposal G/AG/NG/W96
- Rep of Korea: (part of) proposal G/AG/NG/W/98
- Norway: (part of) proposal G/AG/NG/W/101
- Poland: (part of) proposal G/AG/NG/W/103

Submissions for discussion on non-trade concerns tabled so far

- 38 countries: non-trade concerns (conference papers) G/AG/NG/W/36/Rev.1
- Argentina: technical submission on non-trade concerns G/AG/NG/W/98

Animal welfare and food quality

Two new issues which have not specifically been written into the Agriculture Agreement have been
the subject of proposals submitted in 2000. One deals with animal welfare, and includes the idea of
compensating farmers for the extra costs they bear when they are required to meet higher standards of
animal welfare. Under the proposal, these payments would be in the green box of permitted domestic
support. The debate has partly been about whether this would be at the expense of human welfare, particularly in poorer countries.

A separate proposal on food quality deals with reserving the right to produce food of specific charac-
teristics associated with specific localities. The debate is linked to the discussion in the TRIPS (intel-
Agriculture negotiations: where we are now

Proposals on animal welfare and food quality submitted so far

- **EU**: food quality: improvement of market access opportunities G/AG/NG/W/18
- **EU**: animal welfare and trade in agriculture G/AG/NG/W/19
- **EU**: (part of) comprehensive negotiating proposal G/AG/NG/W/90

The peace clause

Article 13 (“due restraint”) of the Agriculture Agreement protects countries using subsidies which comply with the agreement from being challenged under other WTO agreements. Without this “peace clause”, countries would have greater freedom to take action against each others’ subsidies, under the Subsidies and Countervailing Measures Agreement and related provisions. The peace clause is due to expire at the end of 2003.

Some countries want it extended so that they can enjoy some degree of “legal security”, ensuring that they will not be challenged so long as they comply with their commitments on export subsidies and domestic support under the Agriculture Agreement.

Some others want it to lapse as part of their overall objective to see agriculture brought under general WTO disciplines that deal with governments’ ability to take action against subsidies.

Some countries have proposed variants. Canada would like to see “green box” domestic supports freed from the possibility of countervailing action under the Subsidies Agreement. India proposes something like the peace clause should be retained but only for developing countries, so that some subsidies are free from the possibility of countervailing duty.

Proposals referring to the peace clause submitted so far

- **EU**: (part of) comprehensive negotiating proposal G/AG/NG/W/90
- **Canada**: domestic support G/AG/NG/W/92
- **Mauritius**: (part of) proposal G/AG/NG/W96
- **India**: (part of) proposal G/AG/NG/W/102
- **Turkey**: (part of) proposal G/AG/NG/W/106
- **Nigeria**: (part of) proposal G/AG/NG/W/130

MORE …
World trade in agricultural products, 1999

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| Above 15 | 351.89 | 64.7 |
| Above 15 | 388.76 | 66.2 |

Source: WTO International Trade Statistics 2000, table IV.7, includes intra-EU trade

* Imports are valued f.o.b.

Agricultural products’ share in trade, by region, 1999

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Source: WTO International Trade Statistics 2000, table IV.5, includes intra-EU trade