

Summary note on the Bali tariff rate quota Decision reached at General Council meeting on 31 March 2022

- Agricultural tariff liberalization has generally been a difficult proposition due to Members' high political sensitivity to undertake such liberalization.
- In view of existing tariff peaks, especially in certain sensitive and historically protected sectors (namely cereals, meats, dairy and sugar), TRQs provide an important channel to accessing the markets of several importing countries. However, such access could potentially be frustrated through cumbersome quota administration requirements.
- Even in cases where trade under MFN tariffs is feasible, TRQs on those products offer economic benefits (often called 'rents') which accrue to importing and exporting countries depending on how a quota is administered.
- For these reasons, WTO Members have consistently focussed on the issue of TRQ administration both in the implementation and monitoring process in the Committee on Agriculture as well as in the negotiations.
- Members established two distinct notification and transparency obligations dedicated to TRQs respectively on administration and utilization which are the primary basis for discussions in the Committee on Agriculture.
- In the discussions in the Committee on Agriculture, more than a quarter of Members' enquiries on agricultural notifications are devoted to TRQ fill and administration. Members also authorized the chairperson of the Committee to demand importing Members to furnish information on TRQ administration anytime in the year based on request from interested Members.
- Members also targeted this issue of TRQ administration in the agriculture negotiations and reached an agreement on TRQ administration and underfill in 2013 at the 9th Ministerial Conference at Bali.
- Members can take recourse to the underfill mechanism forming part of the 2013 Decision when they have concerns that governmental TRQ administration arrangement was responsible for a limited or no TRQ utilization causing 'underfill'. However, the underfill mechanism as agreed under the original Bali decision was not permanent.
- Bali TRQ Decision was adopted with a specific mandate to address some outstanding questions related to the operation of the final stage of the underfill mechanism for the 'closure' or 'resolution' of an underfill concern.
- The Bali Decision also provided that in the absence of an agreement, the mechanism may not apply to the entire Membership; certain Members would rather be able to withdraw from it.
- The agreement reached on 31 March 2020 effectively means that the underfill mechanism of the Bali TRQ Decision has become permanent and

universally applicable to the entire Membership. Annex B of the Decision listing out select Members (including United States) with the right to withdraw from the Mechanism in the absence of an agreement has now been made in-operational. The March 2022 agreement therefore has an important systemic value.

- The underfill mechanism entails a rigorous four-year long committee-monitored consultation process between interested exporting Members and an importing Member with TRQ. By requiring a change in the TRQ administration method in its 'final' stage by the concerned importing Member, the mechanism should eventually lead to a 'resolution' of the concern raised.
- The March 2022 agreement does not add to or alter existing market access commitments but rather facilitates a robust monitoring and consultation process towards an improved and fulsome utilization of those TRQ commitments. The mechanism seeks to ensure that potential market access expansion through TRQ commitments is not constrained through complex bureaucratic procedures.
- TRQ quantity levels are not very large relative to total world trade for most commodities. However, considering generally shallower agricultural markets, TRQs offer an important opportunity for expanding trade in such commodities.
- For several historically protected agricultural commodities¹ like cereals, dairy, meats and sugar, total market access opportunities under Members' TRQ commitments are usually in the range of 10% of global trade for that product. For some products, like rice, TRQs correspond to about 20% of global trade (please see **annex**).²
- The recent decision by the General Council is important, but one may not lose sight of the fact that TRQs are not the preferred market access reforms modality for WTO Members; Members accepted them as an unavoidable reality of agricultural trade where high tariffs still abound in order to achieve market access gains in an immediate setting. MFN tariff reductions continue to be the main goal that Members pursue in the agriculture market access negotiations.

Annex

Product groups	Total TRQ quantity in Members' schedules	Total global trade	TRQ quantity as % of current global trade
Wheat	21 million tonnes	184 million tonnes	11%
Rice	7.5 million tonnes	40 million tonnes	19%
Cheese	0.25 million tonnes	3 million tonnes	8.5%
Beef	1.8 million tonnes	15 million tonnes	12%

¹ More than 50% of all WTO TRQs cover meats, dairy, cereals and sugar.

² In some cases, WTO TRQs have become commercially less significant in view of the concerned importing Members offering better market access either through FTAs or by undertaking autonomous tariff liberalization.

Sugar	6.1 million tonnes	70 million tonnes	9%
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Note: This is significantly simplified information. TRQ quantities in Members' schedules have been summed up without regard to differing in-quota duties, country-specific allocations, differing tariff line compositions of a product, and application of quantity conversion coefficients (e.g. paddy vs milled rice). Detailed Secretariat report in G/AG/W/183/Rev.1 may be consulted for details.