

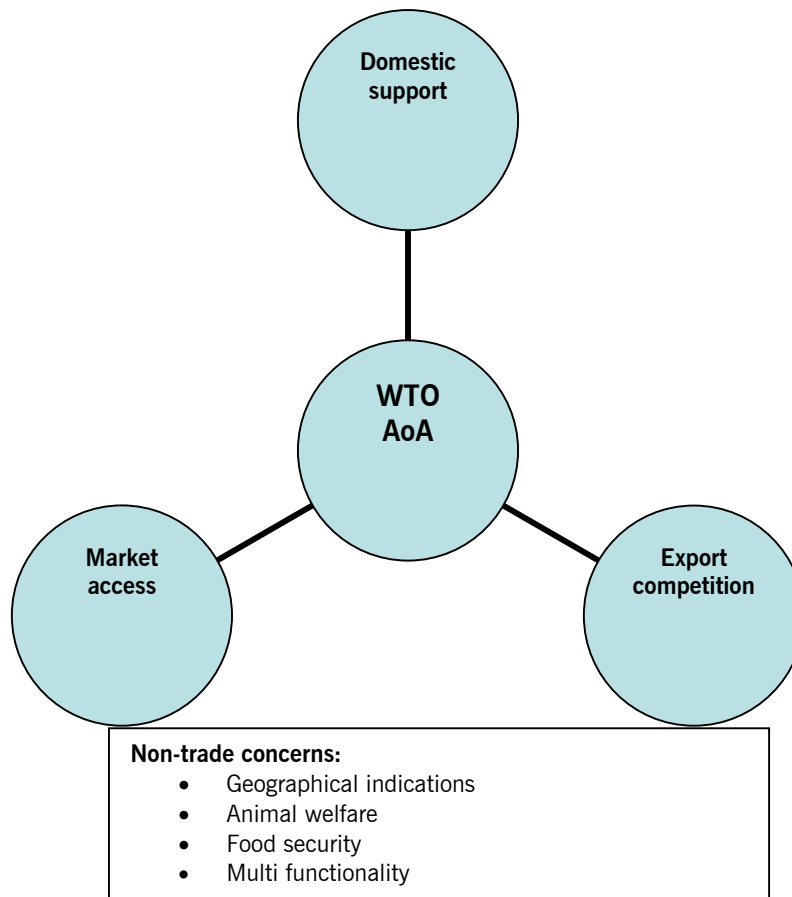


World Society for the Protection of Animals

## Understanding the WTO: The three trade pillars of the WTO AoA and non-trade concerns

*From an animal welfare perspective*

### Three trade pillars of the WTO Agreement on Agriculture (AoA)



**WTO negotiators often refer to the three trade pillars within the WTO AoA. It is on these three pillars that the majority of WTO AoA negotiations are focused. Animal welfare sits outside of these three pillars among what are referred to as the “non-trade concerns.” Below is a description of the three trade pillars of the WTO AoA and the non-trade concerns.**

### **The three trade pillars of the WTO AoA:**

**1. Domestic support** – The first trade pillar of the WTO AOA is domestic support, which mean subsidies to a country’s own farmers. Domestic support is often used by developed countries. The Doha Ministerial Declaration (which launched the current round of talks) calls for “substantial reductions in trade-distorting domestic support”. There are three types of domestic support called ‘boxes’ - amber box, blue box and green box - which are said to have different levels of effect on trade.

- **Amber** – Items that fall into this box are the subsidies that are regarded as trade distorting, such as price support for producers. WTO members are committed under the AoA to making substantial reductions to their Amber box subsidies. As indicated above, they are also committed to agreeing further reductions during the current negotiations.
- **Blue**– Items that fall into this box are direct payments made under production-limiting programmes. These are viewed as less trade-distorting than Amber box subsidies.
- **Green**– Items that fall under this scheme must, under the AoA have no, or at most minimal trade-distorting effects. Green box subsidies are not subject to the usual AoA rules requiring subsidies to be reduced. Animal welfare groups are pressing for animal welfare to be included as a non-trade concern within the green box. This would enable countries to help their farmers with the costs of changing to high welfare systems without those subsidies being subject to reduction commitments under the AoA. However, animal welfare groups also:
  - Argue against a ceiling on the green box, which is wanted by some countries.
  - Recognise the need for strict criteria to define animal welfare so that it is meaningful.

**2. Market access** – The second trade pillar of the WTO is market access, which refers to tariffs. Under the AoA member countries are required to make substantial reductions in tariff levels. The general WTO agreed aim is that further substantial reductions in tariffs should be decided during the current negotiations, but there is debate about how this should be accomplished. Two approaches have been suggested:

- Cut all tariffs to a harmonised level. This mean all tariffs on all products in a country are cut to the same level.

- Cut on overall tariffs per country, but the country has flexibility to set different tariff levels for different products.

**3. Export competition** – The third pillar of trade is export competition, which refers to the money a country gives its producers for exporting, i.e. to encourage more export. Export subsidies lead to exports being at low prices, sometimes even below the cost of production. The Doha Ministerial Declaration calls for “reduction of, with a view to phasing out, all forms of export subsidies”.

### **Non-trade concerns – How to incorporate them into the negotiations when they don't fit into the three pillars?**

The WTO AoA recognises that some issues are not purely of trade concern. Indeed, Article 20 of the AoA stipulates that the current negotiations for revising the AoA should take non-trade concerns into account. These issues include geographical indications, animal welfare, food security and multi-functionality. The first two are described below in brief:

**Geographical Indications (GIs):** A product linked specifically to a location or made in a traditional way. (For example: Champagne, Parma ham, Basmati rice, Patagonia lamb). Geographical Indications are concerned with protecting the worth of a brand. While the EU has led on this issue, there is a growing coalition from developing countries supporting GIs, as they also have an interest in protecting these products.

**Animal welfare:** Animal welfare is being proposed by the EU as an issue that must be considered as one of the non-trade concerns. The EU proposes this could fit into the **green** box. This means that payments to help farmers meet the additional costs of high welfare standards would be considered as non-trade distorting and so exempt from the normal reduction commitments. However there may be additional ways to push animal welfare forward within the WTO such as special market access for high animal welfare products, capacity building of farms in developing countries, and labelling of animal products as to farming method. See GTF strategy briefing for more details.

### **Present negotiations:**

In the present negotiations, most of the discussion has targeted the three trade pillars. However, the Doha Ministerial Declaration confirmed that non-trade concerns will be taken into account in the AoA negotiations. Moreover, on 1<sup>st</sup> August 2004 the WTO General Council agreed the 'July package', which is designed to revive the negotiations after the failure of the Cancun Ministerial. The July package again confirms that non-trade concerns will be taken into

account in the negotiations. The EU is emphasising the importance of addressing non-trade concerns including animal welfare. A draft modalities paper that was circulated in the run-up to Cancun by the Chairman of the WTO Committee on Agriculture included animal welfare payments in the Green box, but it is hard to know how much weight this will have in the present negotiations.

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