

World Trade Organization

What is the World Trade Organization?

The World Trade Organization (WTO) deals with the global rules of trade between nations. The WTO agreements are central, negotiated and signed by the majority of the world's trading nations and ratified in their parliaments.

The WTO came into being in 1995 and is the successor to the General Agreement on Tariffs and Trade (GATT). The GATT (1947 to 1994) was not an international organisation but simply an international agreement. It contained rules and obligations that governed the trade in goods for almost 50 years between the member nations that were party to the agreement. South Africa was a founding member of the GATT. Currently, the WTO has 153 members.

The main function of the WTO is to ensure trade rules that allow trade to flow smoothly, predictably and freely. This is achieved by:

- Administering trade agreements
- Acting as a forum for trade negotiations
- Settling trade disputes
- Reviewing national trade policies
- Assisting developing countries in trade policy issues, through technical assistance and training programmes
- Cooperating with other international organisations

The trade agreements of the WTO consist of 16 different multilateral agreements (to which all WTO members are parties) and two different plurilateral agreements (to which only some WTO members are parties).

The agreement on agriculture with its pillars

The original GATT also applied to agricultural trade, but with many exceptions. For example, it allows countries to use nontariff measures such as quantitative import restrictions. The Uruguay Round produced the first multilateral agreement dedicated to the sector, the Agreement on Agriculture (AoA).

The objective of the AoA is to reform trade in the sector and to make policies more transparent and market-oriented. The so-called three pillars of the AoA are: market access, domestic support and export competition.

Market access

This covers issues such as tariffs, tariff rate quotas (TRQs) and the special safeguard for agriculture (SSG). Tariffs are fixed to a maximum level, called bound rates. Members are not allowed to raise tariffs above these bound rates.

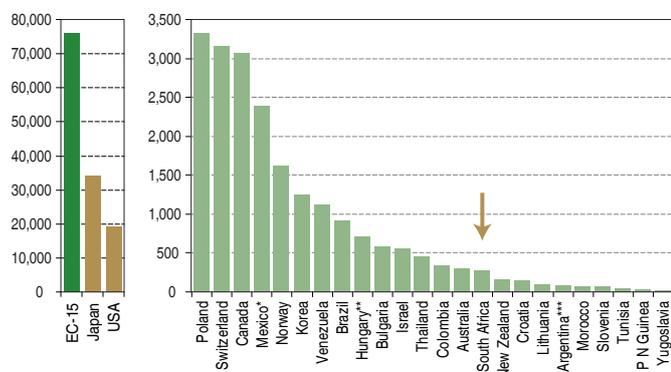


FIG.1 Final bound total AMS (US\$ million)

imum level, called bound rates. Members are not allowed to raise tariffs above these bound rates.

Domestic support

This includes aggregate measure of support (AMS)/amber box, de minimis support (Article 6.4), Investment and input support (Article 6.2), blue box support (Article 6.5) and green box support (Annexure 2).

Export subsidies

This includes export subsidies (Article 9), export credits and guarantees, exports from state trading enterprises and international food aid.

Fig. 1 indicates the upper limit of AMS available to WTO members (note that the amounts indicated reflect an upper limit and not necessarily what the member spends annually).

Negotiations

In 2001 the Doha Development Round was launched by the members of the WTO in the city of Doha, Qatar.

South Africa's objectives for this round are as discussed below.

Domestic support

Achieve real reductions in trade and production distorting domestic support to facilitate structural change in the global allocation of production. Ensure "policy space" to address South Africa's developmental needs, especially with regard to land reform and farmer settlement.

Market access

Substantial improvement in market access in targeted markets for South African agricultural products with export potential.

Export competition

Elimination of all forms of export subsidies over the shortest possible period of time.

Link

Maintaining a strong link between further market access commitments by South Africa and reductions in domestic support by developed countries.

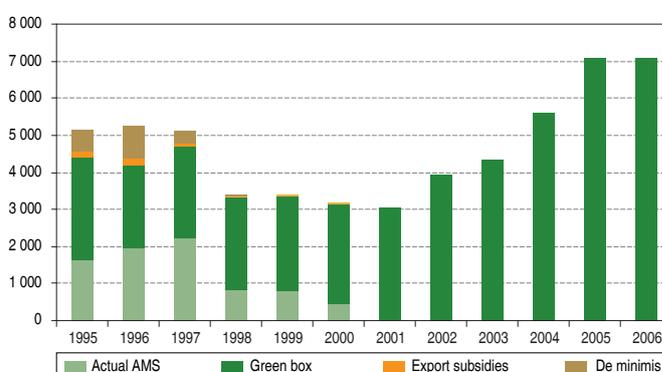


FIG. 2 South African support: actual (Rand, million)



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2009. Published by Department of Agriculture, Forestry and Fisheries, Directorate International Trade