WTO Rules, agricultural trade and water resources policy

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Relationship between water policy and WTO rules applicable to agricultural products?

• Agriculture uses around 70% of all water extracted for consumptive purposes;

• International trade in agricultural products sometimes also described as transfer of water in virtual form.
Why does water policy fall under WTO sphere of competence?

- **rules** embedded in the WTO framework in the field of agriculture can have **direct or indirect impact** on the types of policies countries choose to manage water resources;

  **rules** that affect relative prices of water

  Indirect influence on water allocation in/between countries
WTO disciplines covered here

RULES ON THE PRODUCTION SIDE

➢ Agreement on Agriculture: irrigation water subsidies
➢ Agreement on Subsidies and Countervailing Measures: use of subsidies, including in agriculture

RULES ON THE CONSUMPTION SIDE

➢ Agreement on Technical Barriers to Trade: water footprint labeling, consumers information
Relevant Rules – The Agreement on Agriculture

Categories of Domestic Support in the AoA

- **Green Box** (unlimited)
  - No/minimal effects on trade or production
- **Art. 6.2** (unlimited)
  - Development programmes
- **Blue Box** (unlimited)
  - Production limiting programmes
- **Amber Box** (limited)
  - All other support
  - De minimis
Green Box (Annex 2)

Basic criteria

- No, or at most minimal, trade-distorting effects or effects on production

Assistance:
- Provided through *publicly funded* government programme
- Not involving *transfers from consumers*
- Not resulting in *price support to producers*

GB measures can be *freely used* as long as they meet the criteria set out in Annex 2 of the AoA
Green Box - Scope

General services including
- research
- pest and disease control
- training
- extension/advisory services
- inspection
- marketing and promotion
- **infrastructural services**
  incl. electricity reticulation, roads and other means of transport, water supply facilities etc.

- Public stockholding for food security purposes (para. 3)
- Domestic food aid (para. 4)

Direct payments including
- decoupled income support
- income insurance and income
- safety-net
- relief from natural disasters
- structural adjustment assistance
  - producer retirement
  - resource retirement
  - investment aids
- environmental programmes
- regional assistance programmes
Do they include

- subsidies to inputs
- or
- subsidies to operating costs
- or
- preferential user charges

Do they fall under annex 2, para.2 (g)?
Subsidies to the supply of water for irrigation

- e.g. investment and/or operational subsidies to the water provider

Subsidies to the practice of irrigation

- e.g. programmes for the development of more water efficiency irrigation techniques

Are they

Part of clearly-defined government environmental programme

and

Dependent on the fulfilment of specific conditions including conditions related to production methods or inputs

or

Payments limited to extra-costs or loss of income

Do they fall under annex 2, para.12?
Relevant WTO rules **SCM Agreement**

- **Subsidy**
  - **Specific**
  - **Prohibited**
    - **Material Injury**
      - CVD
    - **Adverse effects**
      - ACTIONABLE
Subsidies in the SCM Agreement – applicable to the AoA since 1/01/2004

If a government/public body:

i. provides direct transfer of funds;
ii. foregoes revenue that is otherwise due;
iii. provides goods or services other than general infrastructure;

If specific to an enterprise/industry:

! even if ag water subsidies

notification
Article 5 of the SCM Agreement

No Member should cause, through the use of any subsidy ... adverse effects to the interests of other Members, i.e.:

(a) **injury to the domestic industry** of another Member

...

(c) **serious prejudice** to the interests of another Member

SCM Agreement does not address environmental impacts of subsidies
Relevant Rules
TBT agreement and water footprint labelling
Applicability of the TBT Agreement

Technical Regulation

Definition

TBT Annex 1.1

- It lays down product characteristics
- ...or their related PPMs
- Compliance is mandatory
Applicability of the TBT Agreement

**Standard**

**Definition**

Approved by a Recognized Body

Provides, for common and repeated use, rules, guidelines or characteristics for products or related processes and production methods

Compliance is voluntary
Technical regulation AND standards

Definition

It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method.

Including non related PPM
Agreement on Technical Barriers to Trade / GATT

Key principles include:

- Non discrimination
- Avoidance of unnecessary trade barrier
- Harmonization
Non-Discrimination

Treatment no Less Favourable to Like Products

Originating

of national origin

National Treatment

from any other country

Most-Favoured Nation (MFN)
What is a “like product”? 

Likeness is determined on a case by case basis

4 criteria

Physical characteristics

Tariff Classification

Consumers’ tastes and habits

Product end uses

Determination about the nature and the extent of a competitive relationship between and among products
Non-Discrimination principle

Prohibits both *de jure* and *de facto* discrimination against imported products

while at the same time

Permits detrimental impact on competitive opportunities for imports that stems exclusively from legitimate regulatory distinctions
Avoid unnecessary obstacles to trade

Legitimate objectives

Art. 2.2

- National security requirements
- Protection of human health or safety
- Protection of animal or plant life or health
- Protection of the environment
- Prevention of deceptive practices

...Inter alia...
Avoid unnecessary obstacles to trade

Relational analysis of

- Trade-restrictiveness of measure
- degree of contribution to achievement of objective,
- risks non-fulfilment would create

AND

existence of less trade-restrictive alternatives?
Harmonization

Stated Preference for

International Standards

Towards an International Water Footprint Standard?
Conclusion

• WTO objectives and rules supportive of sound water policies
• Need for more information...
Thank you!