

CRS Insights

Agriculture in the Bali Agreement: A Way Forward

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At the [World Trade Organization's \(WTO's\)](#) Ninth Ministerial Conference in Bali, Indonesia, December 3-7, 2013, ministers adopted the so-called Bali Package. The package has measures dealing with four principal categories: Trade Facilitation, Agriculture, Cotton, and Development and Least-Developed Country (LDC) Issues. From the United States' viewpoint, the major policy initiative is the Trade Facilitation Agreement, which aims to improve the efficiency of international trade by harmonizing and streamlining customs procedures such as duplicative documentation requirements, customs processing delays, and nontransparent or unequally enforced importation rules and requirements.

The Bali Package covers only a small fraction of [the Doha Round](#) mandate and leaves the more difficult trade topics for future negotiations; however, it represents the first multilateral trade deal in nearly two decades. At the time, analysts predicted that a successful Bali Package—boosted primarily by substantial efficiencies in trade facilitation—could [increase global gross domestic product by \\$1 trillion](#). However, many hope that its ultimate benefit will be a rejuvenation of the Doha Round.

Agreement Reached

The Bali Agreement was adopted by the WTO on December 7, 2013. A deal was struck after the United States gave in to India's demand on food security and agreed to a temporary peace clause to shield the food subsidy programs of developing countries—including India's food subsidy program—from challenge under [WTO rules](#) for four years (through 2017), provided that the stocks procured under these grain-reserve schemes do not distort trade or affect the food security of others. The deal also set a 2017 deadline to negotiate a permanent solution to the food security issue.

Agriculture in the Bali Agreement

The Bali Agreement addressed [five agricultural issues](#).

- **1. Export competition.** The Bali text reconfirmed a commitment to eliminate all export subsidies as part of the ongoing Doha Round, and asked for greater transparency and restraint in their use prior to their final elimination.
- **2. Tariff rate quota (TRQ) administration.** To manage persistently under-filled quotas, a transparent process is first used to determine whether quota under-fill is due to selective administration or to market conditions. If it is due to inadequate administration, then unencumbered access must be granted by one of two prescribed methods. Special and differential treatment is available for developing countries, but only under certain conditions and possibly for a limited period.
- **3. Temporary peace clause.** To provide relief from challenge under the WTO dispute settlement process for a developing country's above-market purchases of commodities for food-security stockholding programs, a temporary peace clause was established through 2017, while members agree to work to find a permanent solution.
- **4. Proposed list of green-box-eligible LDC-focused general services.** New criteria of particular interest to developing countries were added to existing exemptions.
- **5. Cotton.** In response to a proposal from four African members, WTO members reiterated their commitment to progress in negotiations on cotton, regretted lack of progress, committed to meet twice yearly to study related issues, and reaffirmed the importance of cotton to lesser-developed countries.

Deadlock on Implementation

A first major implementation step included a July 31, 2014, deadline for the WTO's General Council to approve a protocol to incorporate the Trade Facilitation Agreement (TFA) into the text of the WTO's legal agreements. Then, WTO members would begin to address a so-called post-Bali agenda, which would include drafting a work program by the end of 2014 to conclude the Doha Round.

Ahead of the July 31 deadline and in apparent violation of the agreement that had been reached in December 2013, India proposed delaying the approval of the TFA protocol until a permanent solution was reached on the issue of food stockholding programs. India wants a permanent solution to exempt such programs—in which governments buy commodities from farmers at above-market prices to distribute to the poor—from counting toward WTO subsidy limits. The Indian government wanted more assurances that the peace clause would continue to hold if WTO members cannot agree on a permanent solution by the target date of 2017. India's delaying proposal was supported by three other WTO countries—Bolivia, Venezuela, and Cuba.

Several WTO members, including the United States and the European Union (EU), expressed considerable chagrin over the prospect of failing to meet the July 31 deadline, thus putting the rest of the Bali package in doubt. However, WTO members failed to resolve the impasse ahead of the July 31 deadline and progress on implementing the Bali Agreement ground to a halt.

Impasse Resolved

On November 13, 2014, the United States and India reached an agreement on a set of measures intended to break the impasse in the work of the WTO to implement the agreements reached last December at the WTO Ministerial in Bali. The bilateral agreement consists of two key elements:

- The TFA should be implemented without conditions.
- A peace clause (i.e., a mechanism under which WTO members will not challenge food security stockholding programs under WTO dispute settlement procedures) will remain in place until a permanent solution regarding this issue has been agreed to and adopted.

The bilateral agreement also sets out elements for an intensified program of work and negotiations to arrive at such a permanent solution. The elements agreed to between the United States and India will be presented for consideration by the full WTO membership.

The U.S. Congress may continue to seek to influence and monitor ongoing trade agreement negotiations, including multilateral negotiations within the context of the WTO, to ensure that U.S. agricultural, food industry, and consumer interests are reflected in their outcomes.