

WTO AGRICULTURE NEGOTIATIONS

The issues, and where we are now

UPDATED 1 December 2004

This briefing document explains agricultural issues raised before and in the current negotiations. It has been prepared by the Information and Media Relations Division of the WTO Secretariat to help public understanding about the agriculture negotiations. It is not an official record of the negotiations.

FOR MORE INFORMATION:

- > An outline of the WTO's Agriculture Agreement can be found in the section on agriculture in "Understanding the WTO" (pages 27–29 in the printed version, or go to http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm3_e.htm on the WTO website)
- > Detailed information on agriculture in the WTO can be found at http://www.wto.org/english/tratop_e/agric_e/agric_e.htm, or follow this path: www.wto.org > trade topics > agriculture
- > Detailed information on the agriculture negotiations (including the draft "framework" and "modalities", proposals and many statements — and the latest version of this briefing document) can be found at http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm, or follow this path: www.wto.org > trade topics > agriculture negotiations
- > Information on the Doha Development Agenda mandate can be found at http://www.wto.org/english/tratop_e/dda_e/dda_e.htm, or follow this path: www.wto.org > trade topics > Doha Development Agenda

CONTENTS

INTRODUCTION	5
The present reform programme	5
The current negotiations	5
The objective: continuing reductions and other issues	6
THE NEGOTIATIONS: FROM 2000 TO NOW	7
Phases 1 and 2: March 2000–March 2002	7
The mandate: Article 20	7
Phase 1: 2000–01	7
Phase 2: 2001–02	7
Preparations for 'modalities': March 2002–July 2003	8
The mandate: The Doha Declaration	8
Key dates in the declaration	8
'Modalities'	9
Pillar by pillar	9
Three key papers	10
After the missed deadline	10
Cancún deadlock: September 2003	11
Preparations for Cancún	11
Stalemate at the Ministerial Conference	12
The July 2004 package and August decision	13
Political build up	13
The negotiations in Geneva: March 2004	14
April and June 2004	16
The July package	17

The August 2004 framework	17
After the framework: modalities	18
THE ISSUES	19
EXPORTS	19
Export subsidies and competition	19
Phase 1	19
Export subsidies: Phase 2	21
Export subsidies: preparations for 'modalities'	21
> The revised first draft 'modalities' on export subsidies	22
> The draft frameworks on export subsidies	22
Export credits: Phase 2	22
Export credit, insurance, etc: preparations for 'modalities'	23
> The revised first draft 'modalities' on export credits	23
> The draft frameworks on export credits	23
Food aid: Phase 2	23
Food aid: additional issues (Phase 2)	24
Food aid: preparations for 'modalities'	24
> The revised first draft 'modalities' on food aid	24
> The draft frameworks on food aid	25
Exports and state trading enterprises/single-desk traders: Phase 2	25
Exports and state trading enterprises/single desk operators: preparations for 'modalities'	25
> The revised first draft 'modalities' on state trading export enterprises	26
> The draft frameworks on state trading export enterprises	26
August 2004 framework: export subsidies and competition	27
End point and implementation	27
Special and differential treatment	27
Special circumstances	27
After the framework: technical work on export subsidies and competition	28
Export credit, guarantees, insurance	28
Food aid	28
Exporting state trading enterprises	28
Export restrictions and taxes	29
Phase 1	29
Phase 2	29
Preparations for 'modalities'	29
> The revised first draft 'modalities'	30
> The draft frameworks	30
August 2004 framework: export restrictions and taxes	30
MARKET ACCESS	31
Market access: tariffs and tariff quotas	31
Tariffs: Phase 1	32
Tariffs: Phase 2	33
Tariffs: preparations for 'modalities'	33
> The revised first draft 'modalities' on tariffs	34
> The draft frameworks on tariffs	34
Sectoral initiatives: Phase 2	35
Tariff quotas: Phase 1	36
Tariff quota administration: Phase 2	36
Tariff quota expansion: additional issues (Phase 2)	37
Tariff quotas: preparations for 'modalities'	37
> The revised first draft 'modalities' on tariff quotas	37
> The draft frameworks on tariff quotas	38
Tariff quotas and importing state trading enterprises: preparations for 'modalities'	38
> The revised first draft 'modalities' on state trading import enterprises	38
Market access: special agricultural safeguards (SSGs)	39
Phase 1	39
Phase 2	40
Preparations for 'modalities'	40
> The revised first draft 'modalities'	41
> The draft frameworks	41
Other market access issues	42
Food safety: Phase 2	42
Food safety: preparations for 'modalities'	42
Consumer information and labelling: Phase 2	42
Mandatory labelling: preparations for 'modalities'	43
Geographical indications and food quality	43
> The revised first draft 'modalities' on 'other' market access issues	44

> The draft frameworks	44
August 2004 framework: market access	45
Tariffs: the single approach using a tiered formula	45
Sensitive products	45
Other elements	46
Special and differential treatment	46
‘Issues of interest but not agreed’	46
After the framework: technical work on market access	47
Ad valorem equivalents	47
Tariff quota administration	47
The base for tariff quota expansion	48
Tropical products and goods produced as substitutes for narcotics	48
Visualized: approaches to tariff reduction formulas	49
‘Banded approach’ (draft modalities, March 2003)	49
‘Blended approach’ (Cancún draft frameworks)	49
‘Tiered approach’ (August 2004 agreed framework)	49
DOMESTIC SUPPORT	50
Domestic support: Amber, Blue and Green Boxes	50
The ‘Amber Box’: Phase 1	51
Amber Box: Phase 2	51
Amber Box: preparations for ‘modalities’	52
> The revised first draft ‘modalities’ on the Amber Box	52
> The draft frameworks on the Amber Box	53
Developing countries’ exemptions under Article 6.2: preparations for ‘modalities’	53
> The revised first draft ‘modalities’ on Article 6.2	53
> The draft frameworks Article 6.2	53
The ‘Green Box’: Phase 1	53
Green Box: Phase 2	54
Green Box: additional issues (Phase 2)	54
Green Box: preparations for ‘modalities’	55
> The revised first draft ‘modalities’ on the Green Box	55
> The draft frameworks on the Green Box	55
Animal welfare and the Green Box: Phase 1	56
The ‘Blue Box’: Phase 1	56
Blue Box: Phase 2	56
Blue Box: preparations for ‘modalities’	56
> The revised first draft ‘modalities’ on the Blue Box	57
> The draft frameworks on the Blue Box	57
General comments on domestic support: preparations for ‘modalities’	57
August 2004 framework: domestic support	58
Overall: tiered formula with downpayment	58
Amber Box: tiered formula with caps on specific products	58
De minimis	58
Blue Box	59
Green Box	59
After the framework: technical work on domestic support	60
Methodology for product-specific AMS (amber box) caps	60
Base period for domestic support commitments	60
Green box	60
OTHER ISSUES	61
DEVELOPING COUNTRIES	61
Phase 1	61
Development box, single commodity producers, small island developing states, special and differential treatment: Phase 2	62
Development Box details: Phase 2	63
Single commodity producers details: Phase 2	64
Small island developing states details: Phase 2	64
Special and differential treatment details: Phase 2	64
Rural development: Phase 2	65
Trade preferences: Phase 2	65
Preparations for ‘modalities’	66
> The revised first draft ‘modalities’	66
> The draft frameworks	67
August 2004 framework: developing countries	67
DECISION ON NET FOOD-IMPORTING DEVELOPING COUNTRIES	68
> The draft frameworks	68

August 2004 framework: net food-importing developing countries	68
TRANSITION ECONOMIES	69
> The revised first draft 'modalities'	69
> The draft frameworks	69
August 2004 framework: transition economies and new members	69
'NON-TRADE' CONCERNS: AGRICULTURE CAN SERVE MANY PURPOSES	70
Phase 1	70
Food security: Phase 2	71
Environment: Phase 2	71
Preparations for 'modalities'	72
> The revised first draft 'modalities'	72
> The draft frameworks	72
August 2004 framework: non-trade concerns	72
THE PEACE CLAUSE	73
> The draft frameworks	73
August 2004 framework: the peace clause	73
THE COTTON INITIATIVE	74
> The Cancún draft	74
August 2004 framework: cotton	74
Cotton Sub-Committee	75
IN A NUTSHELL	76
The phases	76
Phase 1 (23–24 March 2000 to 26–27 March 2001)	76
Phase 2 (26–27 March 2001 to 4–7 February 2002)	76
The Doha mandate (from the Doha Ministerial Conference, November 2001)	77
Preparations for 'modalities' and Cancún (26 March 2002 to September 2003)	77
The July 2004 package (September 2003 to 1 August 2004)	77
The post-framework "modalities" phase (September 2004–)	77
Proposals	77
The proposals received in Phase 1	77
Technical submissions received in Phase 1	78
The proposals received in Phase 2	79
Technical submissions received during Phase 2	81
The Cancún 'framework' proposals	81
Groups	83
Phase 1: countries, alliances and proposals	83
Key to the groups	84
DATA	86
World trade in agricultural products, 2003	86
Top 15 agricultural exporters and importers, 2003	86
Agricultural products' share in trade, by region, 2003	86
How much do they spend?	87

WTO AGRICULTURE NEGOTIATIONS

The issues, and where we are now

INTRODUCTION

The present reform programme

Up to 1995, GATT rules were largely ineffective in disciplining key aspects of agricultural trade. In particular, export and domestic subsidies came to dominate many areas of world agricultural trade, while the stricter disciplines on import restrictions were often flouted. The 1986–1994 Uruguay Round negotiations went a long way towards changing all that.

Agriculture trade is now firmly within the multilateral trading system. The WTO Agriculture Agreement, together with individual countries' commitments to reduce export subsidies, domestic support and import duties on agricultural products were a significant first step towards reforming agricultural trade.

The reform strikes a balance between agricultural trade liberalization and governments' desire to pursue legitimate agricultural policy goals, including non-trade concerns (*see below, on page 70*).

It has brought all agricultural products (as listed in the agreement) under more effective multilateral rules and commitments, including "tariff bindings" — WTO members have bound themselves to maximum tariffs on nearly all agricultural products, while many industrial tariffs remain unbound.

For the first time, member governments are committed to reducing agricultural export subsidies and trade-distorting domestic support. They have agreed to prohibit subsidies that exceed negotiated limits for specific products. And the commitments to reduce domestic support are a major innovation and are unique to the agricultural sector.

The current negotiations

The Uruguay Round agreement set up a framework of rules and started reductions in protection and trade-distorting support. But this was only the first phase of the reform. Article 20 of the Agriculture Agreement (*see below, on page 7*) committed members to start negotiations on continuing the reform

Numerical targets for cutting subsidies and protection

The reductions in agricultural subsidies and protection agreed in the Uruguay Round

	Developed countries 6 years: 1995–2000	Developing countries 10 years: 1995–2004
Tariffs		
average cut for all agricultural products	-36%	-24%
minimum cut per product	-15%	-10%
Domestic support		
cuts in total ("AMS") support for the sector	-20%	-13%
Exports		
value of subsidies (outlays)	-36%	-24%
subsidized quantities	-21%	-14%

Notes: Least-developed countries do not have to reduce tariffs or subsidies. The base level for tariff cuts was the bound rate before 1 January 1995; or, for unbound tariffs, the actual rate charged in September 1986 when the Uruguay Round began.

Only the figures for cutting export subsidies appear in the agreement. The other figures were targets used to calculate countries' legally binding "schedules" of commitments. Each country's specific commitments vary according to the outcome of negotiations. As a result of those negotiations, several developing countries chose to set fixed bound tariff ceilings that do not decline over the years.

at the end of 1999 (or beginning of 2000). Those negotiations are now well underway. They began using Article 20 as their basis. The November 2001 Doha Ministerial Declaration sets a new mandate by making the objectives more explicit, building on the work carried out so far, and setting deadlines.

The negotiations are difficult because of the wide range of views and interests among member governments. They aim to contribute to further liberalization of agricultural trade. This will benefit those countries which can compete on quality and price rather than on the size of their subsidies. That is particularly the case for many developing countries whose economies depend on an increasingly diverse range of primary and processed agricultural products, exported to an increasing variety of markets, including to other developing countries.

The objective: continuing reductions and other issues

Further substantial reductions in tariffs, domestic support and export subsidies are prominent issues in the negotiations. In addition, some countries say an important objective of the new negotiations should be to bring agricultural trade under the same rules and disciplines as trade in other goods. Some others, reject the idea for a number of reasons (*for example, see “non-trade concerns”, below on page 70*).

This is sometimes translated into conceptual differences, reflecting the importance that members attach to the major issues in the negotiations. Some countries have described the mandate given by Article 20 as a “tripod” whose three legs are export subsidies, domestic support, and market access (these are more commonly called “the three pillars” of agricultural trade reform). Non-trade concerns and special and differential treatment for developing countries would be taken into account as appropriate. Others say it is a “pentangle” whose five sides also include non-trade concerns and special and differential treatment for developing countries as separate issues in their own right. So far, these differences of approach have not delayed the discussions.

The negotiations are now in their fifth year, but under a reformulated mandate — the Doha Declaration that ministers issued in Doha, Qatar, in November 2001. Negotiators missed the 31 March 2003 deadline for producing numerical targets, formulas and other “modalities” for countries’ commitments. A revised draft “modalities” paper was put on the negotiating table in March 2003 and although it was not agreed, it was used to discuss technical details in subsequent months. A number of “framework” proposals dealing with main points of the modalities were submitted and discussed before and during the Fifth Ministerial Conference in Cancún, Mexico, September 2003, but it was not until 1 August 2004 that a “framework” was agreed. The next stage is to agree on full “modalities”, which will in turn be used to work out the final agreement on revised rules, and individual countries’ commitments. Some members have suggested the negotiations might unofficially aim to complete the “modalities” by the Hong Kong Ministerial Conference in December 2004, but without making a formal commitment. The Doha Declaration had envisaged that countries would submit comprehensive draft commitments, based on the “modalities”, by the Cancún Ministerial Conference — but without modalities, this target was not met either. Meanwhile, the final deadline for completing the negotiations, 1 January 2005, was officially postponed on 1 August 2004, without a new date set.

To assist the negotiations, the WTO Secretariat has so far produced 22 background papers at the request of members. Most of these can be found in the G/AG/NG/S and TN/AG/S series of official documents

(see http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm)

THE NEGOTIATIONS: FROM 2000 TO NOW

Phases 1 and 2: March 2000–March 2002

The mandate: Article 20

The negotiations began under Article 20 of the Agriculture Agreement (*see box*). This says WTO members had to negotiate to continue the reform of agricultural trade.

The direction of the reform was clearly set out in the article — “substantial progressive reductions in support and protection resulting in fundamental reform”.

Phase 1: 2000–01

The first phase began in early 2000 and ended with a stock-taking meeting on 26–27 March 2001. Altogether, 126 member governments (89% of the 142 members) submitted 45 proposals and three technical documents. Six negotiating meetings (officially called “Special Sessions” of the Agriculture Committee) were held: in March, June, September and November 2000, and February, March 2001. This first phase consisted of countries submitting proposals containing their starting positions for the negotiations. The meetings discussed each of these proposal in turn.

The proposals received in the first phase covered all major areas of the agriculture negotiations and a few new ones. Many proposals (e.g. from the US, EU, Japan, Switzerland, Mauritius, etc) were “comprehensive”, i.e. they covered a full range of subjects for negotiation. Some other proposals dealt with specific subjects (e.g. each Cairns Group proposal dealt with a different area).

Although the views expressed in the papers and during the Phase 1 meetings were very wide, this was not surprising at that early stage.

Phase 2: 2001–02

In the second phase, the meetings were largely “informal”, meaning that there is no official record except for chairperson’s summaries presented at the formal meetings (i.e. formal “Special Sessions”). The work programme was decided at the March 2001 stock-taking meeting. It set a timetable (later amended) of six informal meetings in May, July, September and December 2001, and February 2002. The September and December 2001 and February 2002 sessions were also followed by formal meetings.

In this phase, the discussions were by topic, and included more technical details. This was needed in order to find a way to allow members to develop specific proposals and ultimately reach a consensus agreement on changes to rules and commitments in agriculture. Papers presented were not official WTO documents, but usually off-the-record “non-papers”. Despite the increased complexity, developing countries continued to participate actively.

Article 20 of the Agriculture Agreement Continuation of the Reform Process

Recognizing that the long-term objective of substantial progressive reductions in support and protection resulting in fundamental reform is an ongoing process, Members agree that negotiations for continuing the process will be initiated one year before the end of the implementation period, taking into account:

- (a) the experience to that date from implementing the reduction commitments;
- (b) the effects of the reduction commitments on world trade in agriculture;
- (c) non-trade concerns, special and differential treatment to developing-country Members, and the objective to establish a fair and market-oriented agricultural trading system, and the other objectives and concerns mentioned in the preamble to this Agreement; and
- (d) what further commitments are necessary to achieve the above mentioned long-term objectives.

Preparations for 'modalities': March 2002–July 2003

The mandate: The Doha Declaration

In November 2001, the fourth WTO Ministerial Conference was held in Doha, Qatar. The declaration issued on 14 November launched new negotiations on a range of subjects, and included the negotiations already underway in agriculture (and services).

The declaration builds on the work already undertaken in the agriculture negotiations, confirms and elaborates the objectives, and sets a timetable. Agriculture is now part of the single undertaking in which all the linked negotiations are to end by 1 January 2005 (except some "early harvest" subjects which have earlier deadlines).

The declaration reconfirms the long-term objective already agreed in Article 20: to establish a fair and market-oriented trading system through a programme of fundamental reform. The programme encompasses strengthened rules, and specific commitments on government support and protection for agriculture. The purpose is to correct and prevent restrictions and distortions in world agricultural markets.

Without prejudging the outcome, member governments commit themselves to comprehensive negotiations aimed at:

- market access: substantial reductions
- exports subsidies: reductions of, with a view to phasing out, all forms of these
- domestic support: substantial reductions for supports that distort trade

The declaration makes special and differential treatment for developing countries integral throughout the negotiations, both in countries' new commitments and in any relevant new or revised rules and disciplines. It says the outcome should be effective in practice and should enable developing countries to meet their needs, in particular in food security and rural development. The ministers also take note of the non-trade concerns (such as environmental protection, food security, rural development, etc) reflected in the negotiating proposals already submitted. They confirm that the negotiations will take these into account, as provided for in the Agriculture Agreement.

Key dates in the declaration

- Formulas and other "modalities" for countries' commitments: by **31 March 2003**
- Countries' comprehensive draft commitments: by **5th Ministerial Conference, 10–**

The Doha mandate

From the Doha Ministerial Declaration, November 2001

13. We recognize the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 members. We recall the long-term objective referred to in the Agreement to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. We reconfirm our commitment to this programme. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development. We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.

14. Modalities for the further commitments, including provisions for special and differential treatment, shall be established no later than 31 March 2003. Participants shall submit their comprehensive draft Schedules based on these modalities no later than the date of the Fifth Session of the Ministerial Conference. The negotiations, including with respect to rules and disciplines and related legal texts, shall be concluded as part and at the date of conclusion of the negotiating agenda as a whole.

14 September 2003 (in Cancún, Mexico)

- Stock taking: **5th Ministerial Conference, 10–14 September 2003** (in Cancún, Mexico)
- Deadline: by **1 January 2005**, part of single undertaking.

'Modalities'

Originally a 12-month programme, this phase deals with one of the most critical stages of the agriculture negotiations. It aims to set “modalities” or targets (including numerical targets) for achieving the objectives set out in the Doha Ministerial Declaration: “substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support”. It will also include some rule making. This stage will therefore determine the shape of the negotiations’ final outcome.

The “modalities” will be used for members to produce their first offers or “comprehensive draft commitments”. The Doha Ministerial Declaration said this had to be done by the Fifth Ministerial Conference in Cancún, Mexico, 10–14 September 2003, a few months after the 31 March 2003 deadline for modalities.

As it turned out, members failed to meet the March 2003 deadline for agreeing “modalities” and then turned their attention to an outline or “framework” of the modalities, which was eventually agreed on 1 August 2004. The periods involved can therefore be described as: “**preparations for modalities**” (March 2002–July 2003), “**Cancún and the framework phase**” (August 2003–August 2004), and “**the modalities phase**” (September 2004–).

(As an indication of the process needed even to arrive at a work schedule, the programme for preparing the “modalities” was agreed after a series of consultations that produced the necessary consensus backing. Four informal consultations open to all WTO members were held to report on smaller group discussions and to hear comments before a consensus compromise was struck. One of the constraints was the need to avoid a schedule that clashed with other meetings — including negotiations in other subjects — in a busy year.)

Pillar by pillar

The preparations for “modalities” began with technical work on detailed possibilities for each of the three main areas (or “pillars”) of the Agriculture Agreement: export subsidies/competition; market access; and domestic support. Special treatment for developing countries is treated as an integral part of all of these, and non-trade concerns are taken into account.

The first set of meetings covered the **export** side: subsidies, competition, taxes, and restrictions. These were “intersessional” informal meetings (3–4 June 2002), informal “special sessions” (17–18 June 2002), and a formal “special session” (20 June 2002). Then came **market access** with “intersessional” informal meetings (29–30 July 2002), informal “special sessions” (2–3 September 2002), a formal “special session” (6 September 2002). This was followed by **domestic support** with “intersessional” informal meetings (4–5 September 2002), informal “special sessions” (23–25 September 2002), and formal “special session” (27 September 2002).

Chairperson Stuart Harbinson said the discussion on all three pillars in these meetings added to the depth of knowledge and understanding of the various positions. But he noted that delegations tended to repeat existing “maximal” positions in key areas, in some cases with “a continuing lack of specificity” (a reference, for example, to the lack of figures in some proposals). This, he said, is “not particularly helpful from the point of view of drafting the ‘overview paper’ towards the end of the year.” But, he added, the negotiators still have a bit more time, including stock-taking meetings scheduled for November.

“The time has now come to change gear,” he said. “We have prepared assiduously over the last two and a half years. The clock is now running fast and the critical period is upon us. We do not have much time in hand if we are to meet the deadlines of 18 December for the ‘Overview Paper’ and 31 March for establishing modalities.

“In the process we must also change our mindset. We need a more creative approach in which participants start looking actively for compromises and for ways to bridge gaps.”

Common ground exists, he said, but in critical areas much more flexibility is needed. “I therefore, urge you all to reflect deeply and urgently on what **your** delegation can contribute in order to bring this exercise to a conclusion acceptable to **all** by the end of next March.”

He had expressed these sentiments at previous meetings and he would repeat them again. But members could not respond to the call. By the November stock-taking meeting some had not supplied proposed figures for reducing export subsidies, domestic support and tariffs. One of the biggest participants did not do so until January — after the chairperson had circulated his overview paper.

Three key papers

The ideas developed in the preparations for “modalities”, and those proposed earlier, were compiled in an **overview document** (TN/AG/6), which the negotiations chairperson, Stuart Harbinson, circulated to members on 18 December 2002. This document is around 90 pages long — a comprehensive listing of positions on all the issues (*available in the agriculture negotiations section of the WTO website, http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm*).

As members continued to show no sign of movement towards any middle ground, the responsibility for trying to meet the deadlines remained with the chairperson. After hearing negotiators’ comments in informal and formal meetings, he produced his first attempt at a compromise: the “**First Draft of Modalities for the Further Commitments**” (TN/AG/W/1, *also available on the website*) circulated to members on 12 February 2003 and released to the public five days later. The draft focused the negotiations on bridging differences — the search for the compromises that are necessary for a final agreement. So far, delegations had concentrated on spelling out what they wanted rather than on narrowing the gaps between them.

Further comments in negotiations meetings led to a **revised draft** circulated on 18 March 2003 (TN/AG/W/1/Rev.1), later called unofficially the “Harbinson text” and re-circulated with some revised attachments in a report to the General Council (TN/AG/10, 7 July 2003, and TN/AG/10/Corr.1, 13 October 2003). The chairperson described it as “an initial, limited revision of certain elements of the first draft of modalities”, and not a second draft. “Overall, while a number of useful suggestions emerged, positions in key areas remained far apart. In the circumstances, there was insufficient collective guidance to enable the chairman, at this juncture and in those areas, significantly to modify the first draft as submitted on 17 February 2003,” he explained.

The 31 March deadline came and went, but positions remained wide apart and there was no consensus on the draft or on how to modify it. Some countries, notably some of those seeking more moderate reforms, said they could not accept it as basis for negotiation unless it were altered.

After the missed deadline

The negotiators’ failure to produce the modalities was not for lack of trying. In the three years before the end of March 2003, the commitment to negotiate was unprecedented, not least judging by the number and range of countries involved. And, despite the missed deadline, negotiators continued to work hard at a more technical level, where some progress was possible. What was missing was a political direction from member governments, that would allow some movement towards compromise

on the major issues.

In the 31 March negotiations meeting, chairperson Harbinson told delegations that the failure to meet the deadline was “certainly a setback. We must all be disappointed that all our efforts have not come to fruition.”

He added: “I get a strong sense from all sides of a continuing commitment to the Doha mandate. I have also been told by many delegates that they are committed to continue working on the issues before us. We should not gloss over the difficulties, but we must also look to the future.”

He concluded: “The task ahead and our common responsibility is simple and clear — we must continue working together towards completing the job given to us by ministers in Doha as soon as possible.”

After the missed 31 March 2003 deadline, negotiators busied themselves sorting out a number of important and complex technical issues that are a necessary part of the package. Among them are: the domestic support categories (various “boxes”), tariffs, tariff quotas (including their administration), export credits, food aid, various provisions for developing countries, provisions for countries that recently joined the WTO, trade preferences, how to measure domestic consumption (a proposed reference for several provisions), and so on.

But the negotiators lacked their governments’ decisions at a political level, which would start the long-awaited move towards a consensus on the main questions. At a negotiating session at the end of June 2003, chairperson Harbinson reminded delegations that they should negotiate with each other, not with the chair.

In a 7 July 2003 **report to the Trade Negotiations Committee** (TN/AG/10, dated 7 July 2003, and TN/AG/10/Corr.1, 13 October 2003, *also available in the agriculture negotiations section of the website*), he said that the 11 technical consultations held from April to mid-June had achieved “worthwhile further progress [...] in a number of the rule-related areas.”

He went on: “However, the same could not be said with respect to core issues regarding the modalities for the further commitments, notwithstanding repeated appeals by the chairman for all delegations to work on and come forward with solutions that might contribute to the development of a basis for compromise. In these circumstances, achieving the objective of establishing modalities as soon as possible has continued to remain elusive. [...] Clearly, any modalities established must faithfully reflect the Doha mandate. As matters stand, collective guidance and decisions are required on a number of key issues in order to clear the way for reaching this goal.”

As the September 2003 Cancún Ministerial Conference approached, members started looking for practical ways to resolve outstanding key issues so that modalities could be produced.

Cancún deadlock: September 2003

Preparations for Cancún

The preparations in Geneva for the 11–14 September 2003 Cancún Ministerial Conference brought agriculture and the other Doha Agenda issues together, in meetings and consultations of the General Council and other bodies. Some of these were informal. Some were outside the WTO, including the unofficial “mini-ministerial” meetings that various governments hosted on their own initiative for groups of around 30 ministers.

Suddenly, and for the first time, members began to move away from their entrenched starting positions and towards some middle ground. Some of the steps were big enough to be genuine compro-

mises between significantly different positions, but not enough to satisfy all members. Big gaps narrowed, but consensus remained elusive. The first attempt at a compromise by members was when the European Union and United States negotiated a “joint text”. This was partly made possible after the EU completed its internal discussions about reforming its agricultural policy. At a mini-ministerial conference in Montreal in July, other WTO members also urged the two major economic powers to show leadership.

The US and EU chose to work on a “framework” of key issues, rather than the entire “modalities”. This had the advantage of focusing on a smaller number of major points, which would be more manageable for ministers in the few days of the Cancún conference. The compromise draft was circulated on 13 August as a restricted unofficial document (number JOB(03)/157). Even as a “framework”, it contained a number of gaps. For much of the paper, the US and EU deliberately avoided including numbers, such as percentages or coefficients for tariff reductions. They also left open the question of special treatment for developing countries, saying they ran out of time and in any case it would be more appropriate for the developing countries to make their own proposals.

Within days, six alternatives were circulated by various groups of members. While they said they were unhappy with some parts of the US-EU draft, they all followed the “framework” structure. Of these alternatives, the draft that received the most attention came from a new coalition of about 20 developing countries — the “G-20” (paper JOB(03)/162, later re-circulated unrestricted as a ministerial conference document, WT/MIN(03)/W6 and subsequent additions). Other drafts came from: four Central American countries; Japan; a European-East Asian grouping including Switzerland and Rep. of Korea; Norway; and Kenya (*details on page 81*). Most of these papers cover all parts of the framework. A few concentrate more on particular aspects, for example Kenya’s focus on special treatment for developing countries.

Comments on all of these draft “frameworks” led to an annex, still following the same structure, in the draft ministerial declaration submitted to the Cancún conference by General Council chairperson Carlos Pérez del Castillo (the “**Pérez del Castillo**” text) — he did so under his own authority since there was no consensus on submitting this or any other draft.

Stalemate at the Ministerial Conference

Further discussions in Cancún — coordinated by Singapore’s Trade and Industry Minister George Yeo Yong-Bon — plus five more papers mainly commenting on selected parts of the Pérez del Castillo draft, led to a revised annex in the new draft declaration compiled by the conference chairperson, Mexican Foreign Minister Luis Ernesto Derbez, and circulated on 13 September (the “**Derbez text**”).

(both drafts are available on the Cancún Ministerial Conference page, http://www.wto.org/english/thewto_e/minist_e/min03_e/min03_e.htm)

Various members still had problems with the new draft. But because of deadlock on the four “Singapore issues” (investment, competition policy, transparency in government procurement and trade facilitation), there were no detailed negotiations on this text before the meeting ended.

(details on http://www.wto.org/english/thewto_e/minist_e/min03_e/min03_e.htm).

Consultations in Geneva and around the world after Cancún confirmed members’ desire to build on the work done before and during the ministerial conference. As 2004 began, the favoured approach seemed to be to tackle the “frameworks” first, and then to complete the “modalities”.

For six months, from the Cancún Ministerial Conference in September 2003 until March 2004 there were no negotiating “special sessions” of the Agriculture Committee. Nor were there negotiations on all the other the topics. (Officially, they were temporarily “discontinued”, but not “suspended” since discussions on these subjects continued in other forums.) During that period, heads of delegations in

Geneva, and ministers and officials around the world, discussed how to proceed with the Doha Development Agenda. Naturally agriculture was also part of those discussions. Also during that period, chairperson Stuart Harbinson announced that he would not seek to be reappointed. Officially the terms of all the negotiations' chairs were up for review or renewal at Cancún, and since 2002 Mr Harbinson had also been head of the WTO director-general's office.

The July 2004 package and August decision

Ten months later the Cancún deadlock was broken. Shortly after midnight on 1 August 2004, the WTO's 147 member governments approved a package of agreements that includes an outline (or "framework") to be used to complete the "modalities" on agriculture. The deal was struck after delegations negotiated intensively day and night for two weeks, culminating in a gruelling, non-stop session involving key ministers and ambassadors, that began at 5pm on Friday 30 July and lasted almost 24 hours. During the fortnight, there were several meetings of heads of delegations, intensive consultations and countless gatherings of various groups, with a number of trade ministers participating.

Although agriculture was not the immediate cause of the Cancún deadlock, major differences in agriculture remained barely below the surface. Resolving many of these was the key to the July 2004 breakthrough on all subjects in the Doha Development Agenda.

Political build up

The first efforts at compromise had already started two months before the September 2003 Cancún meeting, with various attempts to draft a framework. But it was not until early 2004 that key members representing a range of opposing positions really put their heads together to try to resolve their differences. Work resumed in the agriculture negotiations meetings at the WTO and the atmosphere grew more optimistic. However, the real political drive came from meetings of groups of ministers in various regional and other forums. WTO Director-General Supachai Panitchpakdi was often a participant. They talked and talked, and more importantly they listened. And they issued statements designed to push the talks forward as well as to stress their concerns. It was this political activity that fed the optimism in the "special" negotiating sessions of the Agriculture Committee

Individual initiatives were crucial. US Trade Representative Bob Zoellick wrote to WTO ministers on 11 January 2004. Essentially a call to arms, his letter shared with his fellow ministers his "common sense" assessment of the state of the negotiations and how all WTO members might work together to advance the Doha Agenda. He suggested focusing on the key areas of agriculture, industrial goods and services, with work to develop frameworks by midyear and a WTO ministerial that could be held by the end of the year (that last point proving over-optimistic).

EU Commissioners Pascal Lamy and Frans Fischler followed up on 9 May with a letter outlining concessions the EU was willing to make, including to negotiate a date for the end of export subsidies, and to drop three of the four "Singapore" issues (leaving the less contentious trade facilitation on the table) — so long as other members were willing to give ground on issues of interest to the EU both within agriculture and outside, such as market access for industrial goods and services.

Key ministers flew round the globe in their search for compromise. So did Director-General Supachai. He clocked up a quarter of a million air miles between September 2003 and July 2004, attending virtually all gatherings of trade ministers and paying particular attention to developing countries with six trips to Africa and four trips to Latin America and the Caribbean.

The meetings included: least-developed countries' trade ministers meeting in Dakar, Senegal in early May 2004; the OECD ministerial meeting in Paris, 13–14 May; the African Union trade ministers' conference in Kigali, Rwanda in late May; the APEC trade ministers' meeting in Pucón, Chile in early June; and the UNCTAD Conference in São Paulo, 13–18 June.

By then a smaller group of key ministers and officials had already met in London on 30 April. This group evolved into an even smaller group, the Five (Australia, Brazil, the EU, India and the US), who met in Paris and São Paulo on the sidelines of the OECD and UNCTAD conferences and continued to work for compromise through to the end.

The negotiations in Geneva: March 2004

Meanwhile, in Geneva the first “agriculture week” after Cancún was 22–26 March 2004, and it marked a new approach. It is described in some detail here as an indication of the approach and the mood at this stage. Most of the week was left open for delegations and groups of delegations to meet and negotiate among themselves. The new chairperson, Ambassador Tim Groser of New Zealand encouraged this by announcing he would take a back seat. He said his role would be to concentrate on the process, leaving the content up to members. He said he would only attend discussions as an observer, since the time had come for members to negotiate with each other and not with the chair. Describing the approach as experimental, Amb. Groser called for a transition from an initial phase in which members stated their positions and translated these into negotiating proposals, to a “problem solving phase”.

To demonstrate that it was time to move on, he showed delegations a large pile of documents, which were a sample of papers received from members and groups of members. He said 52 formal negotiating proposals, 32 Secretariat background papers, 99 unofficial papers and several “framework” drafts had been received. “These are facts on the ground”, Amb. Groser said. There was a window of opportunity to make progress by the summer break (end of July), and no purpose would be served if the time was spent repeating the papers or making procedural points on their status, he cautioned.

So the week opened with a formal session simply confirming Amb. Groser as the negotiations’ new chairperson. “Transparency” meetings were held on the Wednesday (24th) and Friday (26th) morning, so that delegations could report back to the full membership on their consultations.

During the rest of the week the meetings were private and between groups of members (the Cairns Group, the G-10 which includes Switzerland and Japan, the G-20 group of developing countries that includes Brazil, India and South Africa, the “G-33” group led by Indonesia and pressing for special treatment for developing countries, the African Group, the African-Caribbean-Pacific group, a group of recent new members), or key individual members such as the US, EU, Japan, etc.

By the end of the week, the overwhelming mood was that the tone of the negotiations had changed, and for almost the first time delegations were listening to each others’ concerns. There was also strong praise for the new way the meetings were organized, with its focus on delegations negotiating among themselves. But the discussions had not quite entered the “problem-solving” mode that Amb. Groser sought. Members said they now needed to reflect on what they had heard.

Of the three “pillars” (export subsidies and competition, domestic support and market access), many identified market access as technically the most difficult. Delegations agreed to try for a “framework” (probably without numbers) by the end of July, and four more series of meetings were scheduled: one in April, two in June and one in July. (The July meeting was eventually absorbed into consultations under the General Council, with a session specifically to discuss the agriculture annex on 21 July.)

The chairperson’s assessment. Amb. Groser stressed that his assessment was based mainly on what delegations had told him, but also on meetings he observed and on conversations with individual delegations. This, he said, was the prevailing opinion:

1. Overall: there was now a much better “interaction” and understanding between the political process (i.e. ministers and capitals) and the Geneva process. Without the right political input, work in Geneva “will not be possible”, he said. But the framework itself would be negotiated in Geneva “or it will not

be done anywhere,” Amb. Groser said.

2. *Process*: the week’s approach was seen as productive and a welcome move away from speech making and coalition building. Many delegations reported a welcome shift into “listening mode”, but not yet into “problem-solving” mode (i.e. real attempts to narrow gaps) — this still lay ahead.

3. *Objective and timetable*: there was a consensus to aim for a “framework” (i.e. key points of what would later be more detailed principles or “modalities” of the final agreement) before the summer break (i.e. at the latest by July 2004).

4. *Deeper underlying understanding*: Amb. Groser said delegations understood better that the “framework” would be a staging point on the road to “full modalities”, and the two are not separate — they are points along a “continuum” starting with the mandate, passing through the “framework” and then the “full modalities” and ending with final agreement and commitments.

Amb. Groser said there was also a “working hypothesis” that the framework might not include numbers (such as percentage reductions or coefficients in formulas), even though some members were still unconvinced. They argued that the numbers might be needed to give a degree of certainty about how deep the cuts would be. But Amb. Groser said this might not be the case. (For example, if the formulas include a lot of flexibility, having numbers in the formulas does not offer much certainty about the result in detail.) Rather, “we need to work on the basis of conditional trust,” he went on, based on the Doha mandate as “the political anchor”. Amb. Groser’s assessment was that delegations could live with some uncertainty in the framework so long as there was no inconsistency with the level of ambition of the mandate for the negotiation as set out in the Doha Declaration of 2001.

5. *Substance*: The chair’s role was to focus on the process; the content would come from the members, he said. And the members were reporting that while there was a need to keep a balance between the three pillars, progress on the pillars was not equal. Although export competition (export subsidies etc) and domestic support both face difficult political decisions, there was a clear view among a majority of delegations that far more work was needed on market access — “not even the outline of a possible basis for a political decision is evident on market access”, he said.

And although little had been said on cotton during the week — partly because some key members were at a workshop on cotton in Benin — he had not ignored this. Some procedural issues still needed to be resolved, he said.

6. *Outside agriculture*: Amb. Groser also urged heads of delegations to work on the negotiations in other subjects as well. Agriculture could not work in a vacuum — although there was considerable momentum, if there was a lack of progress in other areas “we could get cut off at the knees”.

The discussion. Almost all speakers endorsed the chairperson’s assessment and praised the process. One (Mauritius) spoke of expecting to find a lot of “red lights” but finding instead many “green lights”. Another (EU) said its delegation had wondered at the beginning what members would do for a whole week, only to find the week to be so busy that it had passed at a “cracking speed”.

They acknowledged that market access was the biggest problem. Many commented on the “blended” formula (*more on page 34*). This was first introduced by the US-EU draft framework the previous August and modified in several subsequent drafts. Under this approach, tariffs would be divided into three groups. One group would be made duty-free, the tariffs in another group would be reduced by a simple average with a minimum reduction per product (the Uruguay Round approach), and in the third they would be reduced by the “Swiss formula” (a harmonizing formula that reduces higher tariffs by greater amounts and simultaneously sets a maximum final tariff rate, *see page 33*).

The Cairns Group (Australia as spokesman) said it was unconvinced by the blended formula. What was important is to ensure substantial improvements in market access for products, and not numbers

that are an illusion of improved market access, the group said.

The G-10 (Switzerland speaking) argued that the blended formula did not provide enough flexibility. This group also stressed that it opposed setting ceilings for tariff rates and having to expand all tariff quotas. The EU said the blended approach provided enough flexibility to cover all issues, including non-trade concerns and special treatment for developing countries, and with appropriate numbers to offer a high level of ambition as well. The US also said the picture would be clearer when the numbers were inserted, but after the framework stage was over.

Some groups' priority concerns were accepted in principle by others. For example most speakers agreed that developing countries should be allowed to give special treatment to a category of special products (*see under "tariffs and tariff quotas" from page 31, and "developing countries" from page 61*). Differences remained about the conditions that would apply. The EU accepted a call from China and other new members that they were already undergoing reforms and had low tariff rates and therefore should not have to face the same scale of reductions as older members.

India said it accepted that all members will have to contribute to reform, but others will have to accept that some countries are unable to contribute as much because of developmental constraints.

Concluding, the chairperson said that while discretion was essential at a such a delicate phase of the negotiations, transparency was also necessary. Countries could make difficult compromises, but not if they were ambushed with unexpected demands, he said.

April and June 2004

A similar approach was adopted for the 20–23 April and 23–25 June meetings. By now attempts at compromise were well underway, both in Geneva and outside, and the efforts of the Five (Australia, Brazil, the EU, India and the US) and others were starting to be felt. Progress had been made and even accelerated, but too slowly, chairperson Tim Groser's said at the end of the June meetings.

Also by now, the most difficult subject was clearly market access. It is an issue that directly affects all members, unlike export subsidies and domestic support where only some members have reduction commitments. Ambassador Groser observed that people were willing to explore others' ideas without necessarily accepting them. This included variations of the "tiered approach" (*see visual representation of this is on page 49.*) Ambassador Groser said he was careful not to ask anyone to accept the approach because to do so could lead to premature rejection. Progress was also reported on "parallelism", the demand by some members, that subsidized export credit, subsidized food aid, and state trading exporters should be disciplined in parallel with the disciplines on export subsidies.

(Details of the chairperson's assessment can be found in his report to the 30 June meeting of the Trade Negotiations Committee. See minutes in document TN/C/M/13, available from WTO Documents Online <http://docsonline.wto.org>.)

Process: By the June meetings Ambassador Groser was organizing some of his own meetings including consultations among groups of countries carefully selected to represent all active groups in the negotiation. For example, he reported that one consultation involved Australia, Brazil, Canada, China, Costa Rica, the EU, India, Indonesia, Japan, Rep. of Korea, Mauritius, New Zealand, Nigeria, Norway, South Africa, Switzerland, Thailand, Tanzania, Trinidad and Tobago, the US, and Uruguay. (This included one or more representatives of the Cairns Group, the G-10, G-20, G-33, the African Group, the least-developed countries, and the ACP countries.)

He described the need to tread a delicate balance between (1) the need to be transparent and to include everyone in the negotiations, and (2) the need to let difficult ideas develop before exposing them more widely. A newly planted, delicate flower could wilt and die if it is exposed to too much sunlight, he said, and therefore transparency is "cumulative" — a clearer picture gradually emerges for the mem-

bership as a whole to see and to think about before they have to decide whether to accept or reject the ideas.

The July package

In the last week of July, the external and internal negotiations merged as around 30 ministers came to the WTO in Geneva for the General Council meeting that would eventually seal the deal. It was never easy, and the time pressure became intense as General Council chairperson Shotaro Oshima (Japan's ambassador to the WTO) and Dr Supachai Panitchpakdi worked round the clock, holding consultations and drafting and re-drafting possible compromise texts. They were assisted by the chairs of the key negotiating groups — agriculture (Ambassador Groser), non-agricultural market access (Ambassador Stefán Jóhannesson of Iceland), trade facilitation (WTO Deputy Director-General Rufus Yerxa), and development issues (Faizel Ismail of South Africa).

A first draft of the decision was circulated on 16 July, with the latest version of the draft agriculture framework in Annex A. One “drop-dead” deadline passed on Friday 30 July when a second draft was circulated, and even a further 24 hours was not enough. It was not until early on 1 August that exhausted ministers and ambassadors finally lifted all their objections. Only then could consensus be reached on the third draft of the decision that is now officially document WT/L/579, circulated on 2 August 2004. Only then could they get a decent night's sleep.

The August 2004 framework

In the decision, the seven-page section on agriculture is Annex A. But within the main part of the text are also a section on cotton, and confirmation that the 1 January 2005 deadline will not be met and that the next Ministerial Conference will be held in December 2005 in Hong Kong, China.

Annex A, the “**Framework for Establishing Modalities in Agriculture**”, gives some shape to the modalities that will emerge from the next phase of the negotiations. It describes key features of the modalities without going into all the detail. For example it does not spell out the exact formulas to be used — only the underlying principles — and it does not include most of the figures that will eventually be used to determine the precisely how much reform is to be achieved.

Therefore the introduction says the framework makes the talks more precise. It underscores the “level of ambition” of the Doha mandate, which is cited at various points in the text. For example phrases such as “substantial reductions” and “substantial improvements” are used repeatedly, and throughout there are references to “special and differential treatment” for developing countries being “integral”. The framework also stresses that the balance of the outcome will only be found at the end of the negotiations — a balance both between agriculture and other subjects (the “single undertaking”), and within agriculture itself. The three pillars are connected, part of the whole deal, and must be balanced equitably, the text says. The introduction also reiterates issues such as development and non-trade concerns. The framework includes a short paragraph on “monitoring and surveillance”: this will be improved by amending Article 18 of the Agriculture Agreement, to “ensure full transparency”, including prompt and complete notifications on market access, domestic support and export competition. Developing countries' concerns on this will be addressed. (*Details in the “issues” section starting on page 19.*)

FOR MORE INFORMATION:

- > **The July package**, summaries of meetings, and the agreed framework:
http://www.wto.org/english/tratop_e/dda_e/dda_package_july04_e.htm

After the framework: modalities

The framework had settled some political questions, such as whether to negotiate the end of export subsidies. In many other issues, it gave broad political direction to the negotiations, such as an outline of the approach for cutting tariffs. Many technical details now needed to be sorted out so that members can move to the next set of political decisions that need to be taken later in this phase, and agree on “full modalities”. And so, when work resumed in October 2004, after the summer break, members got down to the task.

Week-long negotiations meetings were initially scheduled almost every month from October 2004 to July 2005. By November, a pattern had emerged. The **formal meetings** (the formal “Special Sessions” of the Agriculture Committee), usually at the end of the week, were mainly for taking decisions and for members to put some of their comments on the record. **Informal meetings** (informal “Special Sessions”) were for general comments and assessments, and for first readings of each technical issue. **Consultations at a more technical level** (“open-ended” consultations, meaning all members could attend, in a smaller room) allowed delegates to go into some highly specialized questions in greater detail. Some delegates said they benefited from hearing the discussion among their more specialist colleagues. Chairperson Tim Groser described these consultations as the “centrepiece” of the technical phase. He emphasised the need to use a smaller room in order to produce a friendly and workmanlike atmosphere, even if this put some limits on the number of people each delegation could have in the room. **Specialist consultations among a smaller, representative group.** Here specialists would delve deeper into the issues raised in the larger meetings, in order to contribute to the larger technical consultation, which would remain the “centrepiece”.

Ambassador Groser said he would adapt the process continuously, responding to members’ comments. He stressed the need for both transparency (so that all members are kept informed) and efficiency — the need to deal with some particularly complex issues in consultations among the members most concerned and in groups of manageable size. Any output from smaller group consultations would have to be approved by the full membership. He described his role as a manager, keeping water flowing at an appropriate rate through the three “locks” of the informal meetings and consultations. Too much water (i.e. too many topics) would flood the system; too little would hold back the flow too much.

Most members supported the process, but some asked the chairperson to ensure they were more appropriately represented in the small group consultations — he agreed. After the first meetings, some members with smaller delegations also said they had difficulty preparing for all the topics, both within their own delegations and within their coalitions. Chairperson Groser responded by trimming his proposed list slightly.

This technical phase started with discussions of: converting specific duties to ad valorem equivalents; exporting state trading enterprises; subsidized food aid; disciplines for subsidized export credit, guarantees and insurance, for 180 days or less; review and clarification of Green Box domestic supports; tariff quota administration; the base for tariff quota expansion; tropical products and goods produced as substitutes for narcotics; the method for setting caps on Amber Box supports for specific products; and the base period for commitments on domestic support.

On some issues the talks progressed well. One example was export credit, which built on work already undertaken and reflected in an attachment to the July 2003 version of draft modalities (the “Harbinson text”, TN/AG/10 and TN/AG/10/Corr.1). Other issues proved more political. Ambassador Groser cited the November discussion of the Green Box as one example.

(Detailed lists of topics discussed can be found on page 77.)

(To be continued.)

THE ISSUES

In this section, the issues are separated by heading, and then organized chronologically by phase, leading to summaries of the relevant parts of draft "modalities" and "framework" papers. The draft modalities summaries are a brief selection of highlights from a document that is about 30 pages long. A lot of detail is left out.

FOR MORE INFORMATION:

- > The most comprehensive listing of proposals and ideas developed in the negotiations is in the chairperson's **overview document (TN/AG/6)** of 18 December 2002 (available in the agriculture negotiations section of the WTO website, www.wto.org).
- > The **full revised first draft "modalities" (TN/AG/W/1/Rev.1)** is also available in the agriculture negotiations section of the WTO website.
- > The **revised draft "framework" (Annex A of JOB(03)/150/Rev.2)** is available on the Cancún Ministerial Conference page of the WTO website.
- > The **agreed 1 August 2004 framework (Annex A of WT/L/579)** is available on the "July 2004 package" page of the WTO website:
http://www.wto.org/english/tratop_e/dda_e/dda_package_july04_e.htm

EXPORTS

Export subsidies and competition

As the negotiations develop, the discussion on export subsidies and competition shifts from broader over-arching principles to details under specific headings.

By the time of the 2002–2003 preparations for "modalities" the discussions have separated into five headings: export **subsidies**; export **credit, guarantees and insurance**; **food aid**; exporting **state trading enterprises**; and export **restrictions and taxes**. Within each heading, are a list of subheadings such as: general comments; scope/definitions/product coverage; stages/timetables; transparency and notification; and so on.

Special and differential treatment for developing countries and non-trade concerns are discussed under all of them, although members differ as to whether the Doha declaration treats these as equals or whether non-trade concerns have a lesser priority.

Who can subsidize exports?

25 WTO members can subsidize exports, but only for products on which they have commitments to reduce the subsidies. Those without commitments cannot subsidize agricultural exports at all. Some among the 25 have decided to greatly reduce their subsidies or drop them completely. In brackets are the numbers of products involved for each country.

Australia (5)	Iceland (2)	Romania (13)
Brazil (16)	Indonesia (1)	Slovak Rep (17)
Bulgaria (44)	Israel (6)	S Africa (62)
Canada (11)	Mexico (5)	Switzerland-
Colombia (18)	New Zealand (1)	Liechtenstein (5)
Cyprus (9)	Norway (11)	Turkey (44)
Czech Rep (16)	Panama (1)	United States (13)
EU (20)	Poland (17)	Uruguay (3)
Hungary (16)		Venezuela (72)

The agreement includes certain temporary exemptions for developing countries, allowing them to subsidize marketing, cost reduction and transport (Art 9.4)

For more details, see WTO Secretariat background paper "Export subsidies" TN/AG/S/8, downloadable from http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm#secretariat

Phase 1

In this phase, some countries are proposing the total elimination of all forms of export subsidies, in some cases with deep reductions right at the start of the next period as a "downpayment". Others are

prepared to negotiate further progressive reductions without going so far as the subsidies' complete elimination, and without any "downpayment".

Many (but not all) developing countries argue that their domestic producers are handicapped if they have to face imports whose prices are depressed because of export subsidies, or if they face greater competition in their export markets for the same reason. This group includes countries that are net food importers and also want help to adjust if world prices rise as a result of the negotiations.

In addition, many countries would like to extend and improve the rules for preventing governments getting around ("circumventing") their commitments on export subsidies — including the use of state trading enterprises, food aid and subsidized export credits.

Some countries, such as India, propose additional flexibility for developing countries to allow subsidies on some products to increase when subsidies on other products are reduced.

Several developing countries complain that the rules are unequal. They object in particular to the fact that developed countries are allowed to continue to spend large amounts on export subsidies while developing countries cannot because they lack the funds, and because only those countries that originally subsidized exports were allowed to continue subsidizing — albeit at reduced levels. One group of developing countries compares the effect of various types of export subsidies with "dumping" that harms their farmers.

As a result of all of these concerns, some proposals envisage sharply different terms for developing countries. ASEAN and India, for example, propose scrapping all developed countries' export subsidies while allowing developing countries to subsidize for specific purposes such as marketing. Some developing countries say they should be allowed to retain high tariff barriers or to adjust their current tariff limits, in order to protect their farmers — unless export subsidies in rich countries are substantially reduced. Some other developing countries counter that the barriers would also hurt developing countries that want to export to fellow-developing countries.

Proposals containing positions on export subsidies and competition submitted in Phase 1

(see also proposals on developing countries and on non-trade concerns)

- **Cairns Group:** export competition G/AG/NG/W/11
- **11 developing countries:** special and differential treatment and a development box G/AG/NG/W/13
- **US:** a comprehensive proposal G/AG/NG/W/15
- **EU:** export competition (focusing on credit, food aid, and state trading enterprises) G/AG/NG/W/34
- **ASEAN:** special and differential treatment for developing countries in world agricultural trade G/AG/NG/W/55
- **EU:** comprehensive negotiating proposal G/AG/NG/W/90
- **Japan:** proposal G/AG/NG/W/91
- **Switzerland:** proposal G/AG/NG/W/94
- **Mauritius:** proposal G/AG/NG/W/96
- **Rep of Korea:** proposal G/AG/NG/W/98
- **Mali:** proposal G/AG/NG/W/99
- **Norway:** proposal G/AG/NG/W/101
- **India:** proposal G/AG/NG/W/102
- **Poland:** proposal G/AG/NG/W/103
- **"MERCOSUR+":** state trading enterprises G/AG/NG/W/104
- **Morocco:** proposal G/AG/NG/W/105
- **Turkey:** proposal G/AG/NG/W/106
- **Egypt:** proposal G/AG/NG/W/107
- **Nigeria:** proposal G/AG/NG/W/130
- **Congo, Dem Rep:** proposal G/AG/NG/W/135
- **Kenya:** proposal G/AG/NG/W/136
- **Senegal:** preliminary positions G/AG/NG/W/137
- **Mexico:** proposal G/AG/NG/W/138
- **MERCOSUR, Bolivia, Chile, Costa Rica, Guatemala, India, Malaysia:** export credits G/AG/NG/W/139
- **Jordan:** proposal G/AG/NG/W/140

- **African Group**: joint proposal G/AG/NG/W/142
- **Namibia**: proposal G/AG/NG/W/143
- **A group of Latin American countries** in MERCOSUR and the Cairns Group also submitted a discussion paper on export subsidies: G/AG/NG/W/38.
- **Croatia** included export subsidies in its discussion paper G/AG/NG/W/141

Export subsidies: Phase 2

In Phase 1, the discussion on export subsidies and competition spans several subheadings. After that, as the talks go into greater detail, these are separated.

On export subsidies, one proposal in Phase 2 involves a 50% reduction as an immediate downpayment, followed by eliminating subsidies completely in three years (for developed countries) or six years (for developing countries)

Another proposal is similar but with more emphasis on flexibilities for developing countries. It includes expanding the types of export subsidies that developing countries are currently allowed under Article 9.4 of the Agriculture Agreement. This group's proposed formula would continue reductions at the same pace as under the present agreement while negotiations continue, followed by complete elimination within three years of the negotiations' end or 2006, whichever is earlier — with a longer deadline for developing countries.

These proposals receive some support, and some opposition, particularly over the complete elimination of export subsidies.

An alternative proposal includes “rebalancing” or “modulation” — more moderate reductions on some products in return for steeper reductions on other products, with the possibility of raised ceilings — without eliminating export subsidies. Again, this idea has received both support and opposition, some countries predicting that with rebalancing, the products they most need to export will face competition from the highest subsidies.

Some countries emphasize matching measures on imports with those on exports. Subsidy reductions would be gradual and not lead to elimination. To match the concept of bound tariffs, export subsidies would be bound per unit (e.g. per ton).

Many countries say other forms of export subsidies (such as food aid, subsidized export credit — see below — and insurance, trading by state enterprises) should be disciplined, and say they will elaborate on this later. Even among the countries that agree on the need to tackle these, there is a difference of opinion as to whether these other forms are as serious as direct export subsidies.

Some smaller developing countries argue that export subsidies should be eliminated but over a longer period of time to help them adjust to higher food import bills. They call for stronger measures to help net food-importing developing countries and least developed countries adjust.

Phase 2 papers or “non-papers” from: The Cairns Group, five developing countries (Nicaragua, Panama, Peru, Venezuela and Zimbabwe), Switzerland, Japan.

Export subsidies: preparations for ‘modalities’

Proposals include:

- a 50% immediate reduction as a downpayment, down to zero in three years for developed countries, six for developing countries
- similar but without the downpayment
- down to zero in five years
- broadly, “elimination is neither included nor excluded”, depending on what happens in other

- areas, including export credit and domestic support
- “modulation” that allows more moderate cuts for some products in return for steeper cuts in others.

Some countries propose additional commitments on per unit subsidies (e.g. dollars per tonne of wheat).

Many developing countries support elimination and downpayments. But as a whole developing countries differ as to how special and differential treatment should be handled. Some want to see exemptions along the lines of Article 27 and Annex 7 of the Subsidies Agreement. Others say this would worsen distortions and damage trade between developing countries.

Some important players have not proposed specific numbers in this phase, and this has led to criticism from others.

> *The revised first draft 'modalities' on export subsidies*

The draft proposes export subsidies be eliminated at two speeds: in five years (10 years for developing countries) for one set of products; in nine years (12 years for developing countries) for the rest.

Developing countries would continue to enjoy exemptions under Article 9.4 for subsidies to support marketing, handling, upgrading, and international transport.

> *The draft frameworks on export subsidies*

(Papers listed on page 81)

Most of the various drafts — including the **Pérez del Castillo** and **Derbez** attempted compromises — envisage action on two groups of products. First, export subsidies would be eliminated on products “of particular interest to developing countries”. Which products, and how long the elimination would take, would be negotiated.

The drafts differ on what happens to the second set of products: whether the remaining subsidies should be reduced (EU-US, Norway) or eliminated (G-20). The **Derbez** draft proposes that an end date for phasing out all forms of export subsidies (i.e. including subsidized export credit and some forms of food aid) should be negotiated.

Slightly differently, the African Union/ACP/least-developed countries call for all export subsidies to be reduced substantially “with a view to phasing out, within a specified period”. The Caricom paper proposes that developing countries’ export subsidies should be eliminated over a longer time period when those products are exported under importing countries’ preference schemes.

Export credits: Phase 2

Most delegations who speak in the negotiations say subsidized export credit (along with export guarantees and insurance, various forms of food aid, activities of state trading enterprises) could be used to circumvent export subsidy commitments. They call for disciplines on the subsidy portion of these measures.

Some say that export subsidy reductions should be negotiated as part of a package that also includes disciplines and reductions in subsidized credit. Others argue that export subsidies are far more serious.

Countries taking a more cautious view of this say they are in favour of disciplines along the lines of those being developed in the OECD, but also argue that export credits do not contain large amounts of

subsidies and are useful for food security in importing countries suffering from financial crises or food supply problems.

Phase 2 papers or “non-papers” from: The EU, US, and Australia.

Export credit, insurance, etc: preparations for ‘modalities’

By now, two approaches have emerged. One is “**rules based**”. Export credit and insurance would have to be on “commercial terms”, which would be defined according to criteria such as duration of credit (e.g. 180 days), benchmarks for interest rates (e.g. Libor — the London inter-bank rate — plus something), appropriate insurance premiums, and so on. Anything else would be classed as “export subsidies” and would have to be reduced or eliminated.

The alternative is to have “**reduction commitments**”, which means calculating the subsidy component of credit, insurance and guarantees and treating them in the same way as regular export subsidies.

Several developing countries complain that the reduction-commitment route would reinforce the unfairness of the current export subsidy set up — those with high subsidies in the base period are allowed to subsidize more during the reform period. Some countries warned against being too drastic because subsidized credit can be needed in times of foreign currency crises.

Again there were complaints that the proposals lack concrete figures. But some countries said they need more information before they can provide a specific proposal.

> The revised first draft ‘modalities’ on export credits

The draft deals with this in Attachment 5. The technical details include the forms and providers of credit that would be subject to discipline, terms and conditions such as repayment terms and interest rates, “non-conforming” support (which would have to be reduced), emergency exceptions, transparency and notification, and special treatment for developing countries. (Export credit has been a subject discussed in technical consultations since the draft was issued, with some progress on the details.)

> The draft frameworks on export credits

(Papers listed on page 81)

The US-EU draft proposes that disciplines on “distorting elements” of export credits should mirror those of export subsidies, both in the selection of products, and the reduction or elimination. So, in its own way, does the G-20 proposal, which seeks elimination in both subsidies and subsidized credit, adding that the interests of net-food importing and least-developed countries need to be looked after.

The **Pérez del Castillo** and **Derbez** drafts also envisage disciplines that mirror their texts on export subsidies. And they take up the calls from Kenya, the four central American countries and the African Union/ACP/least-developed countries for disciplines on export credit to take into account the concerns of net food-importing developing countries and least-developed countries.

Food aid: Phase 2

See also page 68 (decision on net food-importing developing countries)

All agree that food aid for humanitarian purposes is essential. Most of the discussion has been about how best to ensure that the aid goes to those really in need, does not harm domestic production in countries receiving aid, does not distort trade (in particular jeopardize exports from competing suppli-

ers), responds genuinely to demand, does not amount to the disposal of surpluses in subsidizing countries, and does not allow countries to get around their export subsidy commitments.

Most countries argue that aid should only be in the form of grants — i.e. not on credit. But some warn that this could be too rigid and prevent food aid from promptly reaching those who need it.

Many developing countries are calling for binding commitments from donor countries on the amounts they supply, with rising amounts of food at times of high prices, aid supplies in response to demand, technical and financial assistance to help countries develop domestic production instead of relying on food aid, and increased transparency through notifications to the WTO Agriculture Committee. Some developed countries also endorse some of these ideas.

Also discussed are ideas for international stock piling and a revolving fund (proposed by some countries in Phase 1).

Phase 2 papers or “non-papers” from: 7 developing countries (Cuba, Egypt, Grenada, Mauritius, Nigeria, Sri Lanka, Uganda), EU, Japan, MERCOSUR, Namibia, Norway

Food aid: additional issues (Phase 2)

Two papers have only just been circulated at the final Phase 2 meeting, and several are circulated afterwards, so most comments are brief and preliminary.

There is some sympathy for proposals to avoid the use of food aid as a way of offloading surpluses and expanding market share, although one country questions the proposal to limit food aid to grants only on the grounds that this might prevent speedy distribution.

Phase 2 papers or “non-papers” from: some Caricom countries (Food aid, Green Box subsidies, Non-trade concerns, special agricultural safeguard mechanism for developing countries and small developing economies, trade preferences)

Food aid: preparations for ‘modalities’

Most countries say aid is not a problem if it is given in response to an appeal from a relevant international organization (such as the World Food Program, Food and Agriculture Organization, etc, or if the organization declares an emergency).

But what if the aid is given bilaterally or through other institutions? Some countries would suspect that this is an attempt to offload surpluses, although some delegations point out that individual governments can respond to an emergency faster than international organizations. There are also differences about whether aid should only be in grant form, or whether price discounts and credit should be disciplined under export subsidy disciplines.

> The revised first draft ‘modalities’ on food aid

The draft deals with this in Attachment 6, which is a proposed replacement for Article 10.4 of the Agriculture Agreement. The technical details include proposed criteria for determining whether there is a genuine need for food aid (such as appeals from recognized international organizations) and whether the food is being given on specific terms — for example only aid given in grant form would qualify. Other aid would have to be included in export subsidy reduction commitments or be banned. (Food aid has been a subject discussed in technical consultations since the draft was issued, with some progress on the details.)

> *The **draft frameworks** on food aid*

(Papers listed on page 81)

The US-EU, G-20, Norwegian, **Pérez del Castillo** and **Derbez** drafts all envisage disciplines or “additional” disciplines to prevent food aid from replacing commercial trade. The African Union/ACP/least-developed countries’ paper says food aid to deal with developing countries’ emergencies “should be addressed”, and in general it should be continued in order to meet chronic shortages or development goals.

Exports and state trading enterprises/single-desk traders: Phase 2

See also page 36 (tariff quotas).

This issue matures into a heading in its own right in Phase 2. Particular emphasis is on these enterprises as exporters, although the concerns are not shared by all members, and state trading enterprises’ role on the import side, for example in tariff quota administration, is also debated.

Ideas discussed in this phase:

Symmetry: is the present agreement biased because it has tougher disciplines on importing enterprises than on exporting ones? Some countries say “yes” because exporting state enterprises supply world markets and could distort world trade more. Some exporting countries with state trading enterprises say “no” because importing enterprises have a serious impact on market access through tariff quota administration, etc, with knock-on effects on world markets.

Tackle the enterprises or specific measures? Behind this debate is the question of whether state enterprises are fundamentally different from private companies.

Some countries see little difference. They say their state companies operate on a commercial basis. They add that private companies can also enjoy monopoly power, use differential pricing, and can be bailed out with subsidies when they are in trouble. These countries therefore argue that the disciplines should not apply to state enterprises in general, but to specific measures. Some are calling for specific disciplines on multinational corporations.

Some developing countries say they need state enterprises to fill in where the private sector is too weak to trade or to compete with large foreign traders, or to serve government objectives such as food security.

The other side of the debate is the view that there really is a fundamental difference, because state enterprises or marketing boards have a monopoly when buying commodities for export, and they also enjoy government guarantees, and do not work with commercial objectives.

Phase 2 papers or “non-papers” from: Japan, and the US

Exports and state trading enterprises/single desk operators: preparations for ‘modalities’

This deals with the possibility that exporting state-owned companies, marketing boards or similar enterprises could be a means of subsidizing exports outside the agreed subsidy limits. A lengthy discussion has narrowed down part of the debate to whether a monopoly given by a government to an exporting enterprise is automatically suspect or whether it is the actions of the enterprise that would determine whether it is subsidizing exports.

A number of countries oppose government-granted monopolies. Simply put, one view is that if a monopoly is granted, then the price is transparency — purchase and sales prices and transactions costs

would have to be notified. Some countries with state-owned or monopoly exporting enterprises object on the grounds that these are trade secrets that private companies don't have to reveal.

> *The revised first draft 'modalities' on state trading export enterprises*

The draft deals with this in Attachment 7, which is a proposed new Article 10.5 in the Agriculture Agreement. Proposed are disciplines designed to ensure that these state enterprises operate commercially, without subsidy, and without government support or other financial privileges, and that other export enterprises are allowed to compete.

> *The draft frameworks on state trading export enterprises*

(Papers listed on page 81)

The US-EU draft proposes disciplines on privileges for single-desk exporting enterprises — “including ending” the privileges — and on state traders' pricing practices. Kenya's draft wants developing countries exempt from these disciplines because of the role the enterprises play in development. The **Pérez del Castillo** and **Derbez** drafts say disciplines on export subsidies and subsidized export credits should also apply to all relevant export subsidies — whether they are related to the enterprises, or provided by them, or provided through them, and whether directly or indirectly. They put the question of disciplines on export privileges under the broad heading of “issues of interest but not agreed”.

August 2004 framework: export subsidies and competition

The framework states clearly that all forms of export subsidies will be eliminated by a “credible” date. The elimination will work in parallel for all types of subsidies, including those in government-supported export credit, food aid, and state-sanctioned exporting monopolies. The negotiations will also develop disciplines on all export measures whose effects are equivalent to subsidies. More specifically:

End point and implementation

The negotiated date will mark the end of: **export subsidies** as listed in members’ reduction commitments (“scheduled”); all export **credits**, export **credit guarantees** or **insurance programmes** with **repayment periods beyond 180 days**; those **with shorter repayment periods but failing to conform with disciplines** that are to be negotiated; trade-distorting practices of **state trading enterprises** that are considered to be subsidized (“the issue of the future use of monopoly powers will be subject to further negotiation”); and **food aid** that does not conform with various disciplines, which will also be negotiated.

The reductions will be by annual instalments, and with parallel treatment for the different forms of export subsidy, although the details still have to be negotiated. Some leeway in the reduction steps is allowed for “coherence” with members’ “internal reform steps”.

The small print balances the need for transparency — providing information — with respecting commercial confidentiality.

Special and differential treatment

Again, developing countries are allowed more lenient terms. Elimination can take longer. They can continue to subsidize transportation and marketing (Article 9.4 of the Agriculture Agreement) “for a reasonable period, to be negotiated”, beyond the date for ending the main subsidies. At the same time, when members get rid of subsidized components of credit and insurance, they have to be able to avoid harming the interests of least-developed and net food-importing developing countries. And special consideration is given to poorer countries’ state trading enterprises whose monopoly privileges aim to keep domestic prices stable for consumers and to ensure food security.

Special circumstances

“Ad hoc temporary financing arrangements” that would normally be disciplined should be possible in exceptional circumstances and under strict conditions for exports to developing countries, so long as these arrangements do not undermine the commitments that members will make. Details are to be negotiated.

After the framework: technical work on export subsidies and competition

Export credit, guarantees, insurance

With credit and insurance of over 180 days now to be phased out, the focus in this stage is on disciplines for programmes of 180 days or less. Topics covered in the technical consultations include: objectives and basic approach; types of support covered; entities giving credit and insurance covered by the disciplines; terms and conditions, such as minimum cash payments, interest payment, repayment of principal, minimum premium requirements, risk-sharing, self-financing of credit programmes, foreign exchange risk, validity period of offers for export financing. In the discussions, delegations broadly agree that a lot of work was done in the “Harbinson” text (the March/July 2003 draft “modalities”) and further efforts should build on this.

Food aid

The objective is to avoid displacing commercial transactions, i.e. to provide food aid when commercial transactions are not possible; and not to obstruct bona fide food aid (although there was some discussion of the meaning of “bona fide”). Among the topics discussed: the role of international organizations in the disciplines such as determining whether there is a need for food aid and in delivering the aid, whether food aid must be in fully grant form (no credit, not tied to commercial transactions) or even only as money (which would be used to buy the food locally, regionally or globally), whether the food aid could be sold to raise funds for development (“monetization”), the prohibition of tied food aid, not allowing food aid to be re-exported (most agree to this), transparency, etc.

Exporting state trading enterprises

All agree that the objective is to find disciplines to ensure there are no subsidies. Issues covered include: the basic approach to disciplines; definitions of entities to be covered; specifying which practices distort trade (subsidies, government financing, underwriting losses, other elements); how to eliminate these (members generally agree that this would parallel phasing out export subsidies); transparency; future use of monopoly power; and special treatment for developing countries. Initially, with the focus on sorting out technical questions, the main differences with political implications are set aside although they are mentioned, e.g. practices such as price discrimination (which some defenders of single-desk exporters, say would apply to private companies as well), and monopoly power.

Export restrictions and taxes

Some countries want to get rid of measures that hamper exports in order to improve their food security — they would have more confidence in their ability to secure supplies for importing.

Phase 1

A number of importing countries, for example Japan, say their food supplies could be disrupted if exporting countries restrict or tax exports. They propose disciplines on export restrictions, for example converting them to taxes that would then be reduced (similar to “tariffication” of import restrictions). Switzerland proposes eliminating these completely, but with some flexibility for developing countries.

The Cairns Group of net exporters has submitted a similar proposal, but linked it to reductions in “tariff escalation” — i.e. higher duties on processed products, which hamper the development of processing industries in countries that produce raw materials. The group also proposes flexibility for developing countries.

Proposals that mention export restrictions submitted in Phase 1

- **US:** comprehensive proposal G/AG/NG/W/15
- **Japan:** proposal G/AG/NG/W/91
- **Cairns Group:** export restrictions and taxes G/AG/NG/W/93
- **Switzerland:** proposal G/AG/NG/W/94
- **Rep of Korea:** proposal G/AG/NG/W/98
- **Congo, Dem Rep:** proposal G/AG/NG/W/135
- **Jordan:** proposal G/AG/NG/W/140

Phase 2

Most participants agree that some disciplines are needed to ensure supplies are available for importing countries. Among the issues that have been raised:

Symmetry between imports and exports: Some countries argue that the disciplines in this subject should be seen as part of balancing measures on the imports with those on exports. Others disagree.

Supporting domestic processing: Several developing countries say taxes or restrictions on raw materials exports are sometimes needed in order to promote domestic processing industries, particularly when importing developed countries charge higher tariffs on processed products than on raw materials (“tariff escalation”). Some countries argue that getting rid of tariff escalation is a better solution.

Prohibited products and national security: Some countries say some restrictions are needed to prevent exports of hazardous and other prohibited products, and for national security reasons. Others disagree.

Phase 2 papers or “non-papers” from: Japan, and the US.

Preparations for ‘modalities’

In the preparations for “modalities” the discussions follow similar themes. Are export restrictions as serious as import restrictions? Should bindings and reductions on the two sides be symmetrical? Some countries say “yes” because for them their ability to purchase imports is a food security question. Others reject that argument, saying export barriers are less serious than import barriers. Some propose that any disciplines should apply only to food products, not to all agricultural products.

More concretely, one country proposes converting all quantitative restrictions into export taxes that

would be bound and reduced to unspecified levels, with some special and differential treatment to allow developing countries to act in emergencies.

Some countries argue that there is no mandate to discuss export taxes and restrictions. Others counter that these measures legitimately come under the heading “export competition”, under Article 20 of the Agriculture Agreement (which deals with post-2000 negotiations) and therefore within the Doha mandate.

> ***The revised first draft ‘modalities’***

The draft would outlaw “new” export restrictions and taxes except in certain circumstances (the general exceptions of GATT Articles 11, 20 and 21).

> ***The draft frameworks***

(Papers listed on page 81)

The Japanese draft says that disciplines on export restrictions and taxes should be substantially strengthened. Kenya wants the present exemptions for developing countries to continue (they are exempt except on products for which they are net exporters). The **Pérez del Castillo** and **Derbez** drafts propose that this subject should be negotiated.

August 2004 framework: export restrictions and taxes

The framework simply says disciplines are to be strengthened, the details to be negotiated. It also includes differential export taxes under “**Issues of interest but not agreed**”.

MARKET ACCESS

Market access: tariffs and tariff quotas

Nowadays, among WTO members, agricultural products are protected only by tariffs.¹ All non-tariff barriers had to be eliminated or converted to tariffs as a result of the Uruguay Round (the conversion was known as “tariffication”). In some cases, the calculated equivalent tariffs — like the original measures that were tariffed — were too high to allow any real opportunity for imports. So a system of tariff-rate quotas was created to maintain existing import access levels, and to provide minimum access opportunities. This means lower tariffs within the quotas, and higher rates for quantities outside the quotas.

The discussion since the Uruguay Round has focused broadly on two issues: the high levels of tariffs outside the quotas (with some countries pressing for larger cuts on the higher tariffs), and the quotas themselves — their size, the way they have been administered, and the tariffs charged on imports within the quotas.

By the time of the 2002–2003 preparations for “modalities”, the discussions cover six headings: **tariffs; tariff quotas; tariff quota administration; special safeguards; importing state trading enterprises**, and **other issues**. Within each heading, are a list of subheadings such as: general comments; scope/definitions/product coverage; stages/timetables; transparency and notification; and so on. Special and differential treatment for developing countries and non-trade concerns are discussed under all of them, and again members differ as to whether the Doha declaration treats these as equals or whether non-trade concerns have a lesser priority.

During the discussion, new members and transition economies repeatedly argue for special and differential treatment for countries in their position, because of the state of their economies and because the new members are still implementing market-access commitments under their membership agreements.

Again, some important players have not proposed specific numbers, and this has led to criticism from others.

Proposals containing positions on market access submitted in Phase 1

(see also proposals on developing countries and on non-trade concerns)

- **Canada:** market access G/AG/NG/W/12
- **11 developing countries:** special and differential treatment and a development box G/AG/NG/W/13
- **US:** a comprehensive proposal G/AG/NG/W/15
- **EU:** Food quality: improvement of market access opportunities G/AG/NG/W/18
- **12 developing countries:** market access G/AG/NG/W/37 + Corr.1
- **Cairns Group:** market access G/AG/NG/W/54
- **ASEAN:** special and differential treatment for developing countries in world agricultural trade G/AG/NG/W/55
- **11 transition economies:** market access G/AG/NG/W/57
- **US:** tariff rate quota reform G/AG/NG/W/58
- **EU:** comprehensive negotiating proposal G/AG/NG/W/90
- **Japan:** proposal G/AG/NG/W/91
- **Switzerland:** proposal G/AG/NG/W/94
- **Swaziland:** market access under special and differential treatment for small developing countries G/AG/NG/W/95
- **Mauritius:** proposal G/AG/NG/W/96

¹ Except for Chinese Taipei, Rep of Korea, and the Philippines for rice; and except when other WTO rules apply, for example sanitary and phytosanitary measures, technical barriers to trade, balance-of-payments conditions, general safeguards, etc.

- **Small island developing states:** (part of) proposal G/AG/NG/W/97
 - **Rep of Korea:** proposal G/AG/NG/W/98
 - **Mali:** proposal G/AG/NG/W/99
 - **Caricom:** proposal G/AG/NG/W/100
 - **Norway:** proposal G/AG/NG/W/101
 - **India:** proposal G/AG/NG/W/102
 - **Poland:** proposal G/AG/NG/W/103
 - **"MERCOSUR+":** state trading enterprises G/AG/NG/W/104
 - **Morocco:** proposal G/AG/NG/W/105
 - **Turkey:** proposal G/AG/NG/W/106
 - **Egypt:** proposal G/AG/NG/W/107
 - **Nigeria:** proposal G/AG/NG/W/130
 - **Congo, Dem Rep:** proposal G/AG/NG/W/135
 - **Kenya:** proposal G/AG/NG/W/136
 - **Senegal:** preliminary positions G/AG/NG/W/137
 - **Mexico:** proposal G/AG/NG/W/138
 - **Jordan:** proposal G/AG/NG/W/140
 - **African Group:** joint proposal G/AG/NG/W/142
 - **Namibia:** proposal G/AG/NG/W/143
- **Croatia** included market access in its discussion paper G/AG/NG/W/141

Tariffs: Phase 1

The discussion of tariffs covers both tariffs on quantities within quotas and those outside. Traditionally, the tariff reductions that resulted from trade negotiations came from bilateral product-by-product bargaining, or they were based on formulas that applied over a broad range of products, or combinations of the two. How the reductions will be handled in the present negotiations is hotly debated. Some countries — such as Canada and the US — are advocating that in addition, “sectoral liberalization” should be negotiated. In some sectors in past negotiations, this has sometimes meant “zero-for-zero” deals. It would include negotiating the complete elimination of tariffs (and possibly other measures such as export subsidies or subsidized export credits) by at least the key WTO members in specific sectors such as oilseeds, and barley and malt. Some countries — for example Japan — have said they do not support this.

One country, the US, has gone so far as to argue that because so many agricultural tariffs are high, the negotiations to reduce tariffs should start with “applied rates” (the tariffs governments actually charge on agricultural imports) and not the generally higher “bound rates” (the legally binding ceilings committed in the WTO as a result of previous negotiations). This has proved quite controversial because it would break a tradition of basing negotiations on bound rates. A number of countries have also countered that they should be given credit for unilaterally applying tariffs that are more liberal than the negotiated bound rates, instead of being forced to make even deeper cuts than countries that kept to their higher bound rates. Some countries that recently joined the WTO also feel that they accepted low tariffs in order to become members and therefore should not have to reduce them much further.

A number of developing countries also complain that they face difficulty if they try to increase their incomes by processing the agricultural raw materials that they produce. This is because the countries they see as potential export markets impose higher duties on processed imports than on the raw materials — known as tariff escalation — in order to protect their own processing industries.

Some countries see tariffs and other import barriers as necessary in order to protect domestic production and maintain food security. For this reason, some countries are linking lower import barriers with disciplines on other countries’ export restraints and export taxes — if producing countries do not restrict their exports, then importing countries can feel more secure about being able to obtain food from them. Some developing countries say they need flexibility in deciding the level of import duties they charge to protect their farmers against competition from imports whose prices are low because of export subsidies.

Tariffs: Phase 2

Two proposals have emerged for tariff reductions in general. One would copy the formula of the 1986–94 Uruguay Round negotiations which used an average reduction over all products, allowing some variation for individual products provided a minimum reduction was met. This would be “simpler” to implement, advocates say. Another, known as a “cocktail” approach envisages a flat rate percentage reduction for all products (the percentage so far unspecified), with additional “non-linear” reductions on higher tariffs, expanding quotas, and special treatment for developing countries. Advocates have described this as “fairer”. Other methods are also discussed, but these two are the most popular.

Part of the discussion focuses on special treatment for developing countries, countries that recently joined the WTO, and countries in transition to market economies. Some developing countries say their tariff cuts would have to depend on developed countries reducing trade-distorting domestic supports and export subsidies. Smaller island or land-locked countries depending on few export commodities are calling for their trade preferences in developed countries to be preserved, and given greater legal certainty. But other countries say that certain preference schemes discriminate against other developing countries. Participants generally recognize, however, that preferences cannot be eroded or removed suddenly, and that transition periods might be needed.

Other points discussed include: whether or not to balance disciplines on import tariffs and restraints with export taxes and restraint; whether or not to give special treatment for specially sensitive products; and how to take account of non-trade concerns (*see page 70*).

Phase 2 papers or “non-papers” from: Australia, MERCOSUR (plus Chile and Bolivia), and Japan

Tariffs: preparations for ‘modalities’

FOR MORE INFORMATION:

- > **Fact sheet** explaining tariff reduction formulas:
http://www.wto.org/english/tratop_e/agric_e/agnegs_swissformula_e.htm

What kind of formula for reductions?

- “**Swiss formula**” or similar, which would produce much steeper cuts on higher tariffs. Supporters include countries previously advocating the “cocktail” approach. Two proposals from several countries would also have the effect of leaving a maximum tariff of 25% after five years in developed countries. Critics say this would be too ambitious, requiring too much adjustment, and some say it would be inequitable because countries with lower tariffs would not have to do much. Some also argue that a Swiss formula would be too complicated because it would require converting specific tariffs into ad valorem tariffs (*see below*). Some other variants of a non-linear approach are also proposed. Supporters say a Swiss formula or something similar is needed in order to deal with extra high tariffs (“tariff peaks”) and to narrow the gaps between tariffs on finished products and raw materials (“tariff escalation”)

(The Swiss formula was first proposed by Switzerland in the Tokyo Round negotiations in the 1970s, and was for negotiations on industrial tariffs. Switzerland does not support this approach in the current agriculture negotiations.)

- “**Uruguay Round approach**”, which is “linear”, i.e. the same percentage reductions no matter what the starting tariff rate is. Variations are allowed for specific products so long as a simple average across all products meets the target. The rate would be negotiated along with reduction rates for export subsidies and domestic support, and other issues, proponents say. Supporters say this approach is simple and flexible. Critics say it could produce insignificant improvement in market access and would not deal with tariff peaks and escalation.

Both include special and differential treatment for developing countries. (Uruguay prefers the Swiss formula, Switzerland prefers the Uruguay Round approach!)

Ad valorem (percentage of price) or **specific** (dollars per ton, etc) tariff rates?

A number of countries criticize specific tariffs as being untransparent and for providing increased protection when prices fall. They want to get rid of all or most specific tariffs. Others say specific tariffs have advantages (for example, traders know what they are going to pay without having to refer to prices), and converting them to ad valorem tariffs would be too complicated.

Exempting certain products: several developing countries say they should be exempt reduction commitments on staples, for food security.

> *The revised first draft 'modalities' on tariffs*

The draft proposes a compromise between the “Uruguay Round approach” and the harmonizing “Swiss formula”, the two approaches receiving the most support in the negotiations so far. It envisages a Uruguay Round approach that is applied in bands with steeper cuts at higher levels, making it a kind of harmonizing formula, but with flexibility — actual cuts can vary around the averages so long as they are above the minimums set for each product (“tariff line”). This approach is also intended to go somewhat towards reducing tariff peaks and tariff escalation. It is sometimes called a “banded” approach.

Developed countries: three bands of tariff rates, cut over 5 years

Tariff rate	Average cut	Minimum cut for any product
90%+	60%	45%
15-90%	50%	35%
0-15%	40%	25%

Developing countries: four bands of tariff rates plus a “special products” category, cut over 10 years

Tariff rate	Average cut	Minimum cut for any product
120%+	40%	30%
60-120%	35%	25%
20-60%	30%	20%
0-20%	25%	15%
Special products	10%	5%

> *The draft frameworks on tariffs*

(Papers listed on page 81)

Before Cancún: The US-EU framework switches to an alternative approach: a “blended formula” in which products are separated into three groups, the number of products in each to be negotiated. One group of tariffs would be cut according to the Uruguay Round approach, with the average and minimum reductions to be negotiated, and tariff quotas used to provide market access if tariffs remain high. A second would use the Swiss formula, again leaving for negotiation the coefficient that determines the final maximum tariff level. A third group would be duty-free. (*A visual comparison of the banded and blended approaches is on page 49.*) If tariffs exceed an unspecified maximum, they would either have to be cut to that maximum or market access would have to be provided through negotiated tariff quotas. Developing countries would be allowed unspecified longer periods and smaller reductions.

Several other proposals follow this blended approach. Norway’s is similar, but without expanding tariff quotas or setting a maximum tariff rate. The G-20 follows the approach only for developed countries, adding that the cuts must offer meaningful market access in an “effective and measurable

way”, and are higher on processed products (reducing tariff “escalation”). For developing countries the reductions would only be by a Uruguay Round approach with unspecified average and minimum reductions that would be gentler than those of the developed countries, and implemented over a longer period — Kenya’s proposal is similar on this, but IDA countries would not have to cut tariffs. (The IDA is the International Development Association, the World Bank’s concessional lending window, providing long-term loans at zero interest to the poorest developing countries; there are 81 IDA countries, not all of them WTO members — see www.worldbank.org.) Developing countries would be allowed additional exemptions by being allowed to designate products as “special” through negotiation. The four central American countries’ proposal is similar.

The European-East Asian group accept the blended approach so long as most reductions follow the Uruguay Round approach, tariff quotas do not expand, and there are no ceilings on the final tariffs. Japan proposes three categories without specifying the type of reduction in each, and calling for flexibility to deal with sensitive products that are closely related to non-trade concerns.

On developing countries’ “special products” category, the G-20 says criteria are “to be determined”. The other developing country groups call for self-selection by the eligible countries.

In Cancún: The African Union/ACP/least-developed countries’ group complain that the Pérez del Castillo draft does not propose steep enough cuts by developed countries, while allowing them to keep high tariffs on “sensitive” imports, and does not really deal with tariff peaks and escalation. On the other hand, the Caricom paper’s main concern is to ensure that developed countries are allowed more moderate tariff reductions on products for which developing countries are given trade preferences. The European-East Asian group’s Cancún paper (which includes Japan) wants to remove the Pérez del Castillo paper’s reference to expanding tariff quotas on sensitive products which have smaller tariff reductions.

The chairs: For developed countries, the **Pérez del Castillo** and **Derbez** drafts essentially follow the US-EU draft, but with some additional flexibility for sensitive products. For developing countries, the **Pérez del Castillo** draft offers the option of three groups of products all using the Uruguay Round approach but with different cuts, or two groups — one applying the Uruguay Round approach, the other using a Swiss formula. The **Derbez** draft chooses the second option with a cap on developed countries’ tariffs and measures to deal with tariff escalation.

Both envisage allowing developing countries to designate “special products” under circumstances to be determined.

Sectoral initiatives: Phase 2

Sectoral initiatives aim to reduce tariffs to zero for the same products when imported into all major importing countries. Advocates say this kind of agreement proved useful in the Uruguay Round and it should be explored again in the current agriculture negotiations. They add that it could also be combined with eliminating tariff quotas and domestic supports on those products. Private sector organizations are already exploring this for certain products such as oilseeds and oilseed products, and the moves should be encouraged, advocates say.

Several countries oppose the idea outright on the grounds that it would distract attention away from more comprehensive liberalization, and that it would be almost impossible to strike a sectoral deal that would benefit developing countries.

Some say they are unconvinced but will continue to look at the prospects.

Papers or “non-papers” from: Canada

Tariff quotas: Phase 1

Quota administration is a technical subject, but it has a real impact on trade — on whether a product exported from one country can gain access to the market of another country at the lower, within-quota tariff.

Methods used for giving exporters access to quotas include first-come, first-served allocations, import licensing according to historical shares and other criteria, administering through state trading enterprise, bilateral agreements, and auctioning. The terms can also specify time periods for using the quotas, for example periods of time for applying for licences, or for delivering

the products to the importing countries. Exporters are sometimes concerned that their ability to take advantage of tariff quotas can be handicapped because of the way the quotas are administered. Sometimes they also complain that the licensing timetables put them at a disadvantage when production is seasonal and the products have to be transported over long distances.

Each method has advantages and disadvantages, and many WTO members acknowledge that it can be difficult to say conclusively whether one method is better than another. Several countries want the negotiations to deal with tariff quotas: to replace them with low tariffs, to increase their size, to sort out what they consider to be restricting and non-transparent allocation methods, or to clarify which methods are legal or illegal under WTO rules in order to provide legal certainty.

Tariff quota administration: Phase 2

Participants in the negotiations generally accept that there is no single “best” method of administering quotas. Some want the negotiations to sort out which allocation methods should be allowed and which should not. Others are looking for broad principles such as transparency and access for all-comers (at least for part of the quota allocation).

Some countries say that if part of a quota is unused (“underfill”), this is often a problem caused by the administration method. They propose various solutions to reduce underfill, including carrying unused portions over to subsequent periods, preventing imports at out-of-quota tariff rates until the quotas are filled, and closer monitoring. Others say underfill is often caused by supply and demand conditions, and should not be considered a problem.

Auctioning quotas is one method that has aroused a lot of discussion. One view is that the money governments raise from auctioning is equivalent to an additional tax and could violate tariff commitments (“bindings”). Another is that auctioning simply makes the additional value created by a quota (“quota rent”) more transparent, and shifts it to the government instead of to private companies. Sup-

Who has tariff quotas?

43 WTO members currently have a combined total of 1,425 tariff quotas in their commitments. The numbers in brackets show how many quotas each country has.

Australia (2)	El Salvador (11)	Nicaragua (9)
Barbados (36)	EU (87)	Norway (232)
Brazil (2)	Guatemala (22)	Panama (19)
Bulgaria (73)	Hungary (70)	Philippines (14)
Canada (21)	Iceland (90)	Poland (109)
Chile (1)	Indonesia (2)	Romania (12)
China (10)	Israel (12)	Slovak Rep (24)
Chinese Taipei (22)	Japan (20)	Slovenia (20)
Colombia (67)	Korea (67)	South Africa (53)
Costa Rica (27)	Latvia (4)	Switzerland (28)
Croatia (9)	Lithuania (4)	Thailand (23)
Czech Rep (24)	Malaysia (19)	Tunisia (13)
Dominican Rep (8)	Mexico (11)	United States (54)
Ecuador (14)	Morocco (16)	Venezuela (61)
	New Zealand (3)	

For more details, see WTO Secretariat background paper “Tariff and other Quotas” TN/AG/S/5, downloadable from

http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm#secretariat_papers

porters add that it meets the objectives of transparency and simplicity, while giving all importing companies the chance to participate.

A number of other methods are also examined and their pros and cons debated. These included first-come-first-served, historical allocation, etc.

Phase 2 papers or off-the-record "non-papers" from: The EU, Australia, Switzerland and Japan

Tariff quota expansion: additional issues (Phase 2)

A paper submitted late in the preparations for "modalities", on **tariff quota expansion**, raises questions about the best formulation of expansion (e.g. how it might be based on domestic consumption). The debate hinges on whether this could be handled simultaneously with discussion on tariff quota administration methods or whether the discussion must be in two steps: dealing with legal uncertainty on administration first, before considering the creation of new quotas or expanding existing quotas.

Phase 2 papers or "non-papers" from: New Zealand (Tariff quota expansion)

Tariff quotas: preparations for 'modalities'

Volumes: Some want quotas to expand, and some say the final objective must be tariffs only. Some countries propose expanding quotas according to levels of domestic consumption, arguing that this would be more meaningful. Others say it would be simpler to expand from final bound import volumes under the tariff quotas. Some want some quotas to be recalculated to reflect more up-to-date levels of domestic consumption. Others oppose anything that would allow quotas to be reduced in size.

In-quota tariffs: Some want these to go to zero. Some others say keeping in-quota tariffs above zero will help narrow the gap between in- and out-of-quota rates, and ultimately bringing a tariff-only system. Another group opposes zero in-quota tariffs in general, except in preferences for least-developed countries.

Quota administration: Some members want to set **principles:** administration methods should be practical, predictable, transparent; they should allow trade to take place on a commercial basis; they should encourage full use of quotas; unused import licenses should be reallocated; allocations to specified countries should be phased out; imports from non-WTO members should be excluded from WTO quotas; etc. They also want auctioning outlawed because it means money going to governments, possibly exceeding their tariff bindings.

Others defend auctioning as transparent and efficient. Some would prefer an **indicative list** of methods that can be used, and some among these want the negotiations to clarify whether auctioning complies with WTO rules, so that governments can use these methods with confidence. Some argue that a range of allocation methods should be available to members for use in different circumstances. Some defend auctioning as transparent and efficient.

> The revised first draft 'modalities' on tariff quotas

Tariff quotas: in-quota duties. The draft proposes no obligation to reduce in-quota duties, except:

- for preferential tariff-free and quota-free programmes and for tropical products or those used to diversify agriculture
- when less than 65% of the quota is used.

Tariff quota volumes. The draft proposes:

- **expanding** the volumes to 10% of domestic consumption (6.6% for developing countries)
- **implementation**: 5 years (10 years for developing countries)
- **flexibility** — one quarter of total tariff quotas allowed to increase to 8% (5% for developing countries), but only if another quarter is increased to 12% (8% for developing countries).

Tariff quotas: special and differential treatment. The draft proposes:

- developed countries would give duty-free access for key products
- developing countries would not have to expand tariff quotas for selected “**special products**” (SPs) for food security, rural development, livelihood security.

> *The **draft frameworks on tariff quotas***

(Papers listed on page 81)

The US-EU draft refers to tariff quotas in two contexts: providing market access for products subject to Uruguay Round formula reductions; and for those ending up with tariff rates higher than a maximum. The G-20 draft says developed countries’ quotas should be expanded by a percentage of domestic consumption and in-quota tariffs should be eliminated, with additional expansion through negotiation. Developing countries would not have to make any commitments (also proposed by the four central Americans and Kenya). Japan, Norway and the European-East Asian group oppose any obligation to expand tariff quotas. The African Union/ACP/least-developed countries’ Cancún paper calls for simplified and more transparent quota administration to benefit developing countries.

The **Pérez del Castillo** draft adopts the US-EU approach, but for developed countries only, leaving quota expansion and in-quota tariff reductions under the broad heading of other “issues of interest but not agreed”. The **Derbez** text goes further. It adds some flexibility for products related to non-trade concerns, and proposes negotiating reductions in in-quota rates as well as quota expansion. Both envisage that developing countries would not have to expand their tariff quotas.

Tariff quotas and importing state trading enterprises: preparations for ‘modalities’

Among the key issues is the question of whether tariff quotas could be allocated to state trading enterprises. Some say the monopoly power and state ownership can allow the enterprises to disrupt market access through the quotas and want this outlawed. Others disagree.

There is broad support for improving transparency when state enterprises handle quotas.

> *The **revised first draft ‘modalities’ on state trading import enterprises***

This comes under draft Attachment 3. It would commit members to ensure that the importing enterprises do not undermine market access commitments, and to notify information on the enterprises’ operations regularly. Developing countries would be allowed some leeway to meet food and livelihood security objectives and for rural development.

Market access: special agricultural safeguards (SSGs)

Safeguards are contingency restrictions on imports taken temporarily to deal with special circumstances such as a sudden surge in imports. They normally come under the Safeguards Agreement, but the Agriculture Agreement has special provisions (Article 5) on safeguards.

The special safeguards provisions for agriculture differ from normal safeguards (*see details in "Understanding the WTO" pages 47–48*). In agriculture, unlike with normal safeguards:

- higher safeguards duties can be triggered automatically when import volumes rise above a certain level, or if prices fall below a certain level; and
- it is not necessary to demonstrate that serious injury is being caused to the domestic industry.

The special agricultural safeguard can only be used on products that were tariffed — which amount to less than 20% of all agricultural products (as defined by “tariff lines”). But they cannot be used on imports within the tariff quotas, and they can only be used if the government reserved the right to do so in its schedule of commitments on agriculture. In practice, the special agricultural safeguard has been used in relatively few cases.

Special safeguards: who has reserved the right?

39 WTO members currently have reserved the right to use a combined total of 6,156 special safeguards on agricultural products. The numbers in brackets show how many products are involved in each case, although the definition of what is a single product varies.

Australia (10)	Indonesia (13)	Poland (144)
Barbados (37)	Israel (41)	Romania (175)
Botswana (161)	Japan (121)	Slovak Republic (114)
Bulgaria (21)	Korea (111)	South Africa (166)
Canada (150)	Malaysia (72)	Swaziland (166)
Colombia (56)	Mexico (293)	Switzerland-
Costa Rica (87)	Morocco (374)	Liechtenstein (961)
Czech Republic (236)	Namibia (166)	Chinese Taipei (84)
Ecuador (7)	New Zealand (4)	Thailand (52)
El Salvador (84)	Nicaragua (21)	Tunisia (32)
EU (539)	Norway (581)	United States (189)
Guatemala (107)	Panama (6)	Uruguay (2)
Hungary (117)	Philippines (118)	Venezuela (76)
Iceland (462)		

For more details, see WTO Secretariat background paper “Special Agricultural Safeguard” G/AG/NG/S/9/Rev.1, downloadable from http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm#secretariat

Phase 1

Proposals range from continuing with the provision in its current form, to its abolition, or its revision to prevent its use on products from developing countries. Some developing countries have proposed that only they would be allowed to use special safeguards — developed countries would not be allowed to do so.

Japan and Rep of Korea propose a new form of special safeguard that would apply to perishable and seasonal products. A number of countries object to this.

The right to use the special agricultural safeguard will lapse if there is no agreement in the negotiations to continue the “reform process” initiated in the Uruguay Round (see Articles 5.9 and 20 of the Agriculture Agreement).

Proposals containing positions on special safeguards submitted in Phase 1

(see also proposals on developing countries and on non-trade concerns)

- **11 developing countries:** special and differential treatment and a development box G/AG/NG/W/13
- **US:** a comprehensive proposal G/AG/NG/W/15
- **Cairns Group:** market access G/AG/NG/W/54
- **ASEAN:** special and differential treatment for developing countries in world agricultural trade G/AG/NG/W/55

- **EU**: comprehensive negotiating proposal G/AG/NG/W/90
 - **Japan**: proposal G/AG/NG/W/91
 - **Swaziland**: market access under special and differential treatment for small developing countries G/AG/NG/W/95
 - **Mauritius**: proposal G/AG/NG/W/96
 - **Rep of Korea**: proposal G/AG/NG/W/98
 - **Norway**: proposal G/AG/NG/W/101
 - **India**: proposal G/AG/NG/W/102
 - **Poland**: proposal G/AG/NG/W/103
 - **Morocco**: proposal G/AG/NG/W/105
 - **Turkey**: proposal G/AG/NG/W/106
 - **Egypt**: proposal G/AG/NG/W/107
 - **Congo, Dem Rep**: proposal G/AG/NG/W/135
 - **Senegal**: preliminary positions G/AG/NG/W/137
 - **Jordan**: proposal G/AG/NG/W/140
 - **African Group**: joint proposal G/AG/NG/W/142
- **Croatia** included special safeguards in its discussion paper G/AG/NG/W/141

Phase 2

Among the ideas proposed in this phase are:

- Retaining the present special safeguard and adding a new safeguard to deal with seasonal and perishable products. The proposal includes ideas for formulas. Critics say this would increase protectionism.
- A countervailing mechanism for developing countries to use on subsidized imports from developed countries. The right would be automatic without any need to prove any damage. Some critics say this would undermine countries' legitimate right to subsidize exports, including within the minimal ("de minimis" ceilings), and that it could obstruct trade. They prefer reducing large subsidies.
- Preserving the special safeguard. Some countries taking this view are also willing to extend the right to use the safeguards to countries that did not "tariffy" or previously reserve the right.
- Allowing developing countries to use special safeguards for all products. A number of developing countries who take this view also advocate scrapping the special safeguard in developed countries.

Within these views are different shades of opinion. Some countries see the safeguards as permanently necessary measures. Others describe them as a confidence-building means of encouraging countries to lower tariffs.

Phase 2 papers or "non-papers" from: Eight developing countries (Cuba, Dominican Rep, Honduras, Kenya, Nicaragua, Pakistan, Sri Lanka, Zimbabwe), five developing countries (Argentina, Bolivia, Paraguay, Philippines and Thailand), Japan, Namibia, Norway, and Switzerland

Preparations for 'modalities'

Many developing countries want to be able to use special safeguards or something similar. Currently these safeguards are only available to countries that "tariffied" in the Uruguay Round, and on the products they tariffied. Many developing countries did not do this. There is some sympathy for this call. One group of countries proposes simplifying the methods of charging duties to "countervail" export subsidies on imported products.

Some countries are proposing a new safeguard for perishable and seasonal products. Others oppose this.

> *The revised first draft 'modalities'*

Current **special safeguards (SSG)** under Article 5 of the Agriculture Agreement would be removed for developed countries, either at the end of the proposed 5-year reform period or two years later.

A new **special safeguard mechanism (SSM)** would be available as a safety-net for developing countries (in addition to the concept of "special products").

> *The draft frameworks*

(Papers listed on page 81)

The US-EU draft proposes a special safeguard mechanism for developing countries for use with products that are sensitive to imports. The G-20 links this to "the impact of tariff cuts". Kenya simply calls for a mechanism to be set up. The **Pérez del Castillo** and **Derbez** drafts also envisage a mechanism whose conditions and products are to be determined. The African Union/ACP/least-developed countries paper says these drafts do not offer enough on a special safeguard mechanism and propose basing work on the revised "modalities" draft.

Other market access issues

These now include: food safety, consumer information and labelling, and geographical indications and food quality.

Food safety: Phase 2

(See also material on sanitary and phytosanitary measures — SPS)

One proposal: this needs to be tackled as part of liberalization talks in order to avoid critics who accuse the WTO of requiring governments to force their consumers to accept unsafe food. The proposal is for a written “Understanding” agreed among WTO members. It would do no more than endorse dispute panel and Appellate Body interpretations of sanitary and phytosanitary (SPS) provisions on precaution. (Some other members question whether this is appropriate as part of the agriculture negotiations rather than under SPS).

Another proposal: Developments in food safety issues since the end of the Uruguay Round negotiations mean the current talks need to deal with food safety. Examples include: new consumer concerns about genetically modified organisms; recent disease outbreaks such as BSE; and toxic substances such as dioxin. These are being examined in other organizations such as the OECD and Codex, and the WTO should coordinate with these other efforts, according to this view.

The discussion: This is the first time this topic has been discussed in the negotiations. All agree that consumers must be protected. All also agree on the need to avoid protectionism in disguise. The discussion is about whether the SPS Agreement (specially Article 5.7, which deals with risk and precaution) is clear enough to maintain that balance appropriately. Some countries support clarifying it through an understanding that would also send the right signals to consumers. Others say this should be discussed in the SPS and Technical Barriers to Trade committees, and not in the agriculture negotiations.

Phase 2 papers or “non-papers” from: Japan, and the EU

Food safety: preparations for ‘modalities’

Advocates of including this in the negotiations say members should not rely on dispute rulings, but use the negotiations to clarify essential elements, taking Appellate Body and dispute panel reports into account. In particular: measures should be proportionate to the food safety target; they should not discriminate; they should be applied consistently; costs and benefits of alternative measures should be compared; scientific data should be re-evaluated as new information emerges; measures should be based on science. Others counter that this is a Sanitary and Phytosanitary Measures (SPS) issue and not one for the agriculture negotiations. Some complain that in general, SPS measures are already replacing tariffs as unwelcome trade barriers.

Consumer information and labelling: Phase 2

See also page 70 (non-trade concerns)

Advocates argue that voluntary or mandatory labelling would be a way to deal with some non-trade concerns — such as animal welfare or information on genetically modified organisms — without distorting trade. It could help consumers make their choices on such things as animal welfare and sustainable production of plants, and by giving consumers confidence in labelled products it would also improve market access, they say.

Some advocates say they are pursuing this subject in the Technical Barriers to Trade (TBT) Committee. They link progress in the TBT Committee with progress in the agriculture negotiations, a point several other members object to.

A number of other countries say this is not a subject for the agriculture negotiations, but one for the TBT Committee, and in the case of food safety, other bodies such as the WTO SPS Committee and the food labelling committee of Codex Alimentarius. Several also object to mandatory labelling.

Specifically on animal welfare, one proposal envisages dealing with this non-trade concern through a combination of labelling and Green Box domestic support criteria — the latter to compensate for effects on costs or production as a result of complying with animal welfare standards. Some countries counter that animal welfare is mainly a concern in wealthy nations and better welfare can sometimes be achieved without subsidies.

Papers or “non-papers” from: the EU, Switzerland.

Mandatory labelling: preparations for ‘modalities’

Advocates say this is needed to provide information for consumers, and to cover such issues as production methods and traceability. Others say labelling is a technical barriers to trade (TBT) issue, not agriculture.

Geographical indications and food quality

(See also TRIPS material)

A geographical indication is a term used to describe both the origin and characteristics of a product. In the WTO, geographical indications are discussed under three headings, only one of these being directly part of the agriculture negotiations.

(In the Intellectual Property — TRIPS — Council, members are negotiating a multilateral register for geographical indications for wines and spirits. They are also debating whether the “higher” level of protection currently given to wines and spirits could be extended to other products — including whether there is a mandate to discuss this. Some countries link the extension under TRIPS with the agriculture negotiations, an idea some others staunchly reject.)

In the agriculture negotiations, a third aspect of this subject has been developed. It deals with negotiating over specific terms that are currently used elsewhere and in at least some cases may have become generic, so that they would be reclaimed for use only by producers in the original geographical area. As a related issue, there have also been proposals on labelling.

In the negotiations, the subject issue has been controversial. A number of members say geographical indications should be addressed in the agriculture negotiations. Some others strongly oppose this, arguing that they should be discussed in the TRIPS Council and Technical Barriers to Trade Committee (which deals with issues such as labelling).

Proposals on geographical indications and food quality submitted in Phase 1

- **EU:** food quality: improvement of market access opportunities G/AG/NG/W/18
- **EU:** comprehensive negotiating proposal G/AG/NG/W/90

Phase 2 papers or "non-papers" from: The EU, and Switzerland.

(The EU also included this subject in its comprehensive "modalities" proposal submitted in January 2003.)

> The revised first draft 'modalities' on 'other' market access issues

The draft simply says further consideration is needed for non-trade concerns and "other" market access issues, including geographical indications, food safety and labelling.

> The draft frameworks

(Papers listed on page 81)

The US-EU draft and the **Pérez del Castillo** and **Derbez** texts simply list these (or some of these) as issues to be discussed. The African Union/ACP/least-developed countries call for developed countries to deal with sanitary and phytosanitary measures, technical barriers to trade and other non-tariff barriers.

August 2004 framework: market access

This was the most difficult of the three pillars to negotiate. As agriculture negotiations chairperson Tim Groser pointed out, all countries have market access barriers, whereas only some have export subsidies or Amber or Blue Box domestic supports. Therefore the range of interests involved in the market access side of the negotiations is more complex. Most governments are under pressure to protect their farmers, but many also want to export and therefore want to see others' markets open up. Among developing countries, some are less confident about importing and exporting and take a defensive position, while others are more confident and want to see more South-South trade as well as increased exports from poorer to richer countries.

The framework commits members to "substantial improvements in market access for all products". Three or four key points emerged in the bargaining over the framework: the type of **tariff reduction formula** that would produce the agreed result of "substantial improvements in market access"; how all countries' **sensitive products** might be treated; how developing countries might be given further flexibility for their "**special products**" and be able to use "**special safeguard**" actions to deal with surges in imports or falls in prices; how to deal with conflicting interests among developing countries over **preferential access** to developed countries' markets; and how to provide market access for **tropical products** and crops grown as **alternatives to illicit narcotics**. Also discussed was a possible trade-off between cuts in some developed countries' subsidies and improved market access in developing countries.

Tariffs: the single approach using a tiered formula

The framework does not spell out the formula; it sets the scene for the next stage of the negotiations. It states that the formula must take account of members' different tariff structures (for example some have tariffs that vary widely from product to product, others have more homogeneous rates), and it spells out key principles for the formula, aimed at expanding trade substantially:

- **"single approach"**: everyone except least-developed countries has to contribute by improving market access for all products
- **tiered and progressive**: the formula will be based on tiers so that tariffs in higher tiers have steeper cuts (a visual comparison of the banded, blended and tiered approaches is on page 49)
- **reductions from "bound" rates**, i.e. the ceilings that members have committed in the WTO, rather than the actual or "applied" rates, which in developing countries in particular, are often lower, sometimes considerably. (When an applied rate is much lower than the bound rate, the formula might not mean a cut in the tariff actually charged on the import, only a lower ceiling limiting the government's ability to raise the tariff.)
- **developing countries** are to be given "operationally effective" special treatment
- **"sensitive products"**: all countries are to be allowed some flexibility in the way these products are treated, although even sensitive products have to see "substantial improvements" in market access.

Left for further negotiation are the levels and number of tiers, and the type of tariff reduction in each tier. Two controversial questions — whether the formulas should define overall maximum tariff rates ("caps") and how sensitive products should be treated — are handled in a delicately-worded sentence: "the role of a tariff cap in a tiered formula with distinct treatment for sensitive products will be further evaluated".

Sensitive products

The number of sensitive products each government may select is to be negotiated. Even for these products, there has to be "substantial improvement" in market access, which can partly be achieved by

creating or expanding tariff quotas.

The fine print carefully strikes a balance between different positions by saying the final result should also reflect “the sensitivity of the product”, and it sets some criteria for negotiating the expansion of tariff quotas that are open to all members (“MFN-based”, as distinct from quotas that are set aside for selected members).

Other elements

These include: reducing or eliminating **in-quota tariff rates**; improving the **administration of quotas** (how quotas are allocated among importers or exporters); reducing or eliminating **tariff escalation** (higher duties on processed products than on raw materials, to be tackled through a formula); **tariff simplification**; and the current **special agricultural safeguard** (which some countries want to cease). Broadly, these remain to be negotiated.

Special and differential treatment

The purpose of special treatment: for rural development, food security and livelihood security. Specifically, special treatment is to be given to developing countries in “all elements of the negotiation”, including “lesser” commitments in the formula, the number and treatment of sensitive products, “lesser” tariff quota expansion, and a longer implementation period.

Special products: developing countries will be given additional flexibility for products that are specially important for their food security, livelihood security and rural development. How many, how they will be selected, and how they will be treated, has to be negotiated.

Special Safeguard Mechanism (SSM): a new contingency measure for developing countries. Details are to be established.

Other issues to be addressed: the “fullest liberalization” of trade in tropical agricultural products, and products used as alternatives to illicit narcotic crops; long-standing preferences (the importance of preferences is “fully recognized” and “paragraph 16 and other relevant provisions of TN/AG/W/1/Rev.1” — the March 2003 draft “modalities” paper — “will be used as a reference”).

'Issues of interest but not agreed'

Includes sectoral initiatives (usually meaning scrapping duties on specific sectors), and geographical indications.

After the framework: technical work on market access

Ad valorem equivalents

Explanations and details: see Secretariat paper TN/AG/S/11, "Calculation of ad valorem equivalents (AVEs): data requirements and availability", available from http://www.wto.org/english/tratop_e/agric_e/negoti_secretariat_papers_e.htm

Tariffs expressed as dollars (euros, yen, etc) per tonne (litre, bushel, head, etc) are called "specific" duties. Some tariffs are more complex: for example, they combine specific rates with percentages of the price ("ad valorem"). All of these have to be converted to simple percentages of the value ("ad valorem") if they are going to be reduced according to the type of formula ("tiered") that was agreed in the 1 August 2004 framework. Without this calculation, it would not be possible to put products charged specific duties into their appropriate categories (the "tiers", *see visualization on page 49*).

The technical discussions include: methods of calculation for the tiered formula; data requirements; and verification procedures. For the method, many members prefer a "unit price" method, essentially a specific duty e.g. in dollars, compared with a reference price, e.g. also in dollars. The main alternative is the "revenue method", total tax revenue over a period compared with total value of imports over the same period. However, the unit price method has a number of problems such as which price to use, over what period, whether the price is distorted for example by quotas, and whether appropriate data is available. Some countries say this would have to be examined closely, and that world market prices might be more suitable than the import price.

Because the conversion is an imprecise exercise, a number of countries want to minimize the amount of flexibility. They say they do not want a repeat of some of the manipulations that they say characterized various calculations in the 1986–94 Uruguay Round negotiations (particularly "tariffication", the conversion of quantitative restrictions to tariffs). Others stress a degree of flexibility (avoiding a uniform, detailed and "excessively" rigid method). They say the key should be to minimize error. A number of details are discussed such as how detailed product categories should be, and which periods should be used as the base. Many accept the need for at least some kind of multilateral verification of the calculation.

Initially, the technical discussion focuses on the method of conversion and postpones discussion of the more political question of whether the tariffs should all then be bound as ad valorem rates ("tariff simplification", which the framework says is under negotiation).

Technical paper on ad valorem equivalents: G-10

Tariff quota administration

Some members say that the "Harbinson text" (the March 2003 draft "modalities") is a suitable starting point but it needs modification. Broadly, the membership continues to debate whether tariff quotas are an opportunity to trade or whether the way they are administered creates an obstacle — the latter complaining about low fill rates, one even proposing a formula that would require the quota to be replaced by a tariff-only method if the fill rate is low.

Various members support some or all of a list of principles, including using methods that do not discriminate, are simple and practical, are predictable and transparent, and do not hinder commercial transactions.

The base for tariff quota expansion

This technical discussion focuses on using a percentage of domestic consumption as the base for expansion, with differences over whether expansion should be “by” or “to” the percentage or some more complex formula such as expanding “to” a percentage first, and then expanding further by an additional formula, in order to “harmonize” the expansion (i.e. bring the quota sizes closer together). Also discussed: how to measure domestic consumption. At this stage, the question of whether all quotas have to expand is largely sidestepped although some mentioned their view, either that expansion is compulsory under the 1 August framework, or that it is not mandatory.

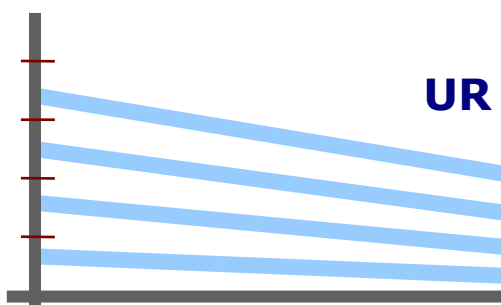
Tropical products and goods produced as substitutes for narcotics

Paragraph 43 of the framework refers to an “overdue” and “long-standing commitment” for the “full-est liberalization” for these products in importing developed countries. Many developing countries stress how important this is, and complain that decades of promises on tropical products had not borne fruit. Several say richer countries should give market access for these products, totally, permanently, without discrimination (i.e. giving most-favoured nation treatment) and as special and differential treatment. This would include eliminating all quantitative restrictions, not treating the goods as sensitive products, with a shorter timetable for liberalization. Some others react against the non-discrimination call by saying long-standing preferences have to be taken into account.

Visualized: approaches to tariff reduction formulas

These are simplified visualizations of the various approaches, presented here **only symbolically** to give an idea of the difference between the approaches. Each line represents a hypothetical cut from a single representative starting tariff. In reality there are a range of starting tariffs in each category, and for the Uruguay Round approach, a range for possible cuts for each (subject to an average and a minimum).

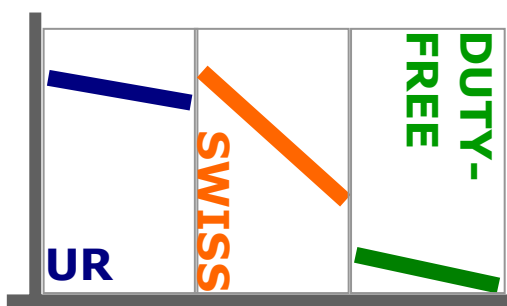
'Banded approach' (draft modalities, March 2003)



Products categorized by height of starting tariff.

Higher bands: steeper cuts. In the March 2003 draft modalities, the formulas in each band use the Uruguay Round (UR) approach (average cuts subject to minimums).

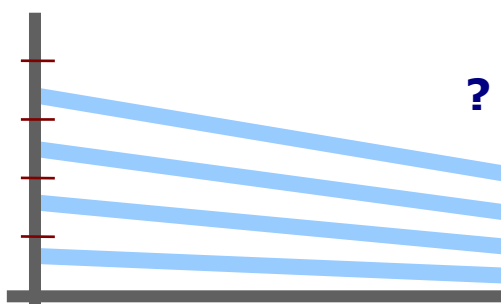
'Blended approach' (Cancún draft frameworks)



Products categorized by sensitivity.

Used in the Cancún draft frameworks, the approach "blends" three formulas. An Uruguay Round approach applies to one category, a Swiss formula to another, and a third is duty-free.

'Tiered approach' (August 2004 agreed framework)



Products categorized by height of starting tariff.

Higher tiers (or bands): steeper cuts. Type of formula and number of tiers? In the August 2004 agreed framework this is still to be negotiated.

DOMESTIC SUPPORT

Domestic support: Amber, Blue and Green Boxes

FOR MORE INFORMATION:

- > **Fact sheet** explaining "the boxes" in domestic support:
http://www.wto.org/english/tratop_e/agric_e/agboxes_e.htm

In WTO terminology, subsidies in general are identified by "boxes" which are given the colours of traffic lights: green (permitted), amber (slow down — i.e. be reduced), red (forbidden). In agriculture, things are, as usual, more complicated. The Agriculture Agreement has no Red Box, although domestic support exceeding the reduction commitment levels in the Amber Box is prohibited; and there is a Blue Box for subsidies that are tied to programmes that limit production. There are also exemptions for developing countries (sometimes called an "S&D box").

The discussions cover: **Green Box**, **Article 6.2** (special and differential treatment), **Blue Box** and **Amber Box**.

By the time of the preparations for "modalities", each heading contains a list of subheadings such as: general comments; scope/definitions; base periods points; reduction/expansion formulas; transparency and notification; and so on. Some countries raise "other" domestic support issues such as animal welfare. There are over 200 interventions in the 23–25 September 2003 session.

During the discussion, developing countries, new members and transition economies repeatedly argue for special and differential treatment.

For the new members that are transition economies, the call is based on the state of their economies and because the new members are still implementing commitments under their membership agreements. Some call for special and differential treatment to be based on "objective criteria" such as the level of development and per capita income, arguing that some "developing countries" are richer and have more developed agriculture sectors than some transition economies.

Some developing countries repeatedly stress their argument that small vulnerable economies need special treatment, including trade preferences and longer times to adjust.

Amber Box: who can use it?

34 WTO members have commitments to reduce their trade-distorting domestic supports in the Amber Box (i.e. to reduce the "total aggregate measurement of support" or AMS). Members without these commitments have to keep within 5% of the value of production (i.e. the "de minimis" level) — 10% in the case of developing countries.

Argentina	Iceland	Papua New Guinea
Australia	Israel	Poland
Brazil	Japan	Slovak Republic
Bulgaria	Jordan	Slovenia
Canada	Korea	South Africa
Colombia	Lithuania	Switzerland-
Costa Rica	Mexico	Liechtenstein
Croatia	Moldova	Chinese Taipei
Cyprus	Morocco	Thailand
Czech Republic	New Zealand	Tunisia
EU	Norway	United States
Hungary		Venezuela

For more details, see WTO Secretariat background paper "Domestic Support" TN/AG/S/4, downloadable from
http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm#secretariat

Proposals containing positions on domestic support submitted in Phase 1 (see also proposals on developing countries and on non-trade concerns)

- **11 developing countries:** Green Box/Annex 2 subsidies G/AG/NG/W/14
- **US:** a comprehensive proposal G/AG/NG/W/15
- **US:** discussion note on domestic support reform G/AG/NG/W/16
- **EU:** the Blue Box and other support measures to agriculture G/AG/NG/W/17
- **Cairns Group:** domestic support G/AG/NG/W/35

- **ASEAN**: special and differential treatment for developing countries in world agricultural trade G/AG/NG/W/55
 - **12 transition economies**: domestic support — additional flexibility for transition economies G/AG/NG/W/56
 - **EU**: comprehensive negotiating proposal G/AG/NG/W/90
 - **Japan**: proposal G/AG/NG/W/91
 - **Canada**: domestic support G/AG/NG/W/92
 - **Switzerland**: proposal G/AG/NG/W/94
 - **Swaziland**: market access under special and differential treatment for small developing countries G/AG/NG/W/95
 - **Mauritius**: proposal G/AG/NG/W/96
 - **Rep of Korea**: proposal G/AG/NG/W/98
 - **Mali**: proposal G/AG/NG/W/99
 - **Norway**: proposal G/AG/NG/W/101
 - **India**: proposal G/AG/NG/W/102
 - **Poland**: proposal G/AG/NG/W/103
 - **Morocco**: proposal G/AG/NG/W/105
 - **Turkey**: proposal G/AG/NG/W/106
 - **Egypt**: proposal G/AG/NG/W/107
 - **Nigeria**: proposal G/AG/NG/W/130
 - **Congo, Dem Rep**: proposal G/AG/NG/W/135
 - **Kenya**: proposal G/AG/NG/W/136
 - **Senegal**: preliminary positions G/AG/NG/W/137
 - **Mexico**: proposal G/AG/NG/W/138
 - **Jordan**: proposal G/AG/NG/W/140
 - **African Group**: joint proposal G/AG/NG/W/142
 - **Namibia**: proposal G/AG/NG/W/143
- **Croatia** included domestic support in its discussion paper G/AG/NG/W/141

The 'Amber Box': Phase 1

For agriculture, all domestic support measures considered to distort production and trade (with some exceptions) fall into the Amber Box. The total value of these measures must be reduced. Various proposals deal with how much further these subsidies should be reduced, and whether limits should be set for specific products rather than having overall “aggregate” limits.

Amber Box: Phase 2

From the broad ideas of the first phase, greater detail is developed in the second phase. Some countries propose steeper cuts on higher levels of support, with some disaggregation according to products (current Amber Box reductions are aggregates over all products). Some countries want Amber Box subsidies to eventually be eliminated completely.

Some of the discussion is linked to the two other categories of domestic supports, the “blue” (*page 56*) and “green” (*page 53*) boxes: whether the concepts should be retained, whether the Blue Box should be restricted or eliminated, whether some Green Box subsidies should be moved into the Amber Box because they distort trade. Some speak of overall caps covering subsidies in all categories.

Amber Box details. There has been some discussion of the idea (not accepted by everyone) that some domestic supports have the same effect as export subsidies because the supports vary according to market prices (rising when prices fall, and vice versa), and large proportions of production are exported. Opinions also differed on whether commitments to reduce Amber Box subsidies should be disaggregated according to product, or stay at total AMS (aggregate measurement of support).

“De minimis” levels (subsidies that fall within small limits). There is a general willingness to look at de minimis levels for developing countries and possibly transition economies (most of these countries are bound by de minimis levels rather than AMS reduction commitments). Proposals include: no change; higher levels for developing countries and/or transition economies; lower levels or abolition for developed countries, etc.

Inflation. Some countries say their AMS commitments have been eroded by inflation. They propose that inflation should be built into the commitments. Others disagree.

Phase 2 papers or “non-papers” from: The EU, Australia, and Japan

Amber Box: preparations for ‘modalities’

The main differences are:

Eliminate or substantially reduce? A number of developed and developing countries want Amber Box subsidies eventually eliminated in three to five years for developed countries, in a longer period such as nine years for developing countries. This would bring all members down to de minimis levels (5% of agricultural production in developed countries, 10% in developing countries) — several argue that if everyone cuts these subsidies to de minimis levels, the result will be fair and “harmonized” (same for everyone). Some go further. They say de minimis levels should also be scrapped for developed countries. Some proposals include a downpayment, in which half the reduction would be made at the outset.

Others counter that elimination goes beyond the Doha mandate’s aim to “substantially reduce” these trade-distorting subsidies. They say elimination would be too drastic to allow them to continue with the reform process. Some propose two rates of reduction commitments, one for products that are mainly exported and another for those that are mainly for domestic consumption, as a means of differentiating between supports that distort international trade more and those that distort less — a differentiation that some liberalizers reject. The countries advocating a more cautious approach have not proposed figures for the reductions, saying these should be discussed after the basic rules are clearer.

Total AMS limits or AMS limits for specific products? At present reduction commitments are based on “total aggregate measurement of support” (AMS), allowing subsidies to be shifted between products. Most liberalizers want limits set for specific products, perhaps with some flexibility for certain products. Others, including a few seeking more ambitious reductions, prefer the flexibility of the current method because it allows adjustments and prevents subsidies being locked into specific products which might not have comparative advantage.

De minimis: Some developing countries and transition economies want their limits raised (currently transition economies are treated as developed countries). Some others prefer to keep the limits unchanged, some of them objecting to the use of de minimis subsidies to circumvent reduction commitments.

> The revised first draft ‘modalities’ on the Amber Box

Aggregate measurement of support (AMS) would be reduced from final bound levels by 60% over 5 years (40% over 10 years for developing countries). Unlike in the Uruguay Round agreement, there would also be separate ceilings on the support for specific products: the averages for 1999–2001.

Developed countries’ current right to exclude a minimal (“**de minimis**”) level of support from reduction commitments would be halved from 5% of agricultural production to 2.5% over five years. Developing countries would keep their 10% with additional flexibility, including the right to credit any “negative support” that is specific to individual products, to the de minimis level of support that is not specific to individual products.

The draft also looks at some details of how the AMS would be calculated. The current provision on taking **inflation** into account would be unchanged — Article 18.4 says that “excessive rates of inflation” should be considered when WTO members review a country’s ability to abide by its domestic support commitments. However, a country could express its commitments in a **foreign currency**.

> *The **draft frameworks on the Amber Box***

(Papers listed on page 81)

Before Cancún: The US-EU draft proposes broadly reducing trade-distorting supports by a range of percentages to be negotiated — countries with larger distorting supports are to make a greater effort. Japan's paper specifies that the reductions should be on "total AMS" (i.e. for the whole agricultural sector, allowing shifts between products). De minimis payments would be disciplined under an overall reduction for Amber, de minimis and Blue Box payments.

The G-20 framework envisages reductions on each product rather than for the whole agricultural sector, with additional conditions to reduce support on more heavily subsidized products, an initial "downpayment" cut, and larger reductions for products with more than a specified share of world exports — Norway also envisages larger reductions on products that are produced for export. The G-20 envisages capping Amber and de minimis payments (but not the Blue Box since it would be scrapped). The European-East Asian group argue that their supports have little impact on world markets and the reductions should be negotiated together with market access and export subsidies. Norway proposes negotiating reductions for the Amber and Blue Boxes combined.

In Cancún: the African Union/ACP/least-developed countries call for substantial reductions in both Amber and Blue Box supports "with a view to their phasing out and elimination".

The chairs: The **Pérez del Castillo** text is similar to the US-EU draft. The **Derbez** paper adds proposed caps on Amber Box supports paid for each product to reduce governments' ability to shift supports between products. Both envisage reductions on the combination of Amber, de minimis and Blue Box payments.

Developing countries' exemptions under Article 6.2: preparations for 'modalities'

This is the article that allows developing countries additional domestic support for example for rural development for "low-income or resource-poor producers", and for crops grown as substitutes for narcotics. Developing countries stressed the need to keep this, and perhaps add additional flexibilities. Particularly vocal are countries using the provision to diversify production away from illicit crops.

> *The **revised first draft 'modalities' on Article 6.2***

This provision would be maintained, with possible enhancements for diversifying away from crops that are harmful for human health and for other well-targeted subsidies.

> *The **draft frameworks Article 6.2***

(Papers listed on page 81)

The G-20, four Central American countries' and Kenyan drafts call for expanded provisions under this article. The **Pérez del Castillo** and **Derbez** drafts reflect this, with the Derbez text referring to "enhanced" provisions.

The 'Green Box': Phase 1

In order to qualify for the "Green Box", a subsidy must not distort trade, or at most cause minimal distortion. These subsidies have to be government-funded (not by charging consumers higher prices) and must not involve price support. They tend to be programmes that are not directed at particular products, and include direct income supports for farmers that are not related to (are "decoupled" from)

current production levels or prices. “Green Box” subsidies are therefore allowed without limits, provided they comply with relevant criteria. They also include environmental protection and regional development programmes (*for details, see Article 6 and Annex 2 of the Agriculture Agreement*). Canada has proposed setting limits on all “boxes” combined, which would mean limits on Green Box subsidies as well.

Some countries say they would like to review the domestic subsidies listed in the Green Box because they believe that some of these, in certain circumstances, could have an influence on production or prices. Some others have said that the Green Box should not be changed because it is already satisfactory. Some say the Green Box should be expanded to cover additional types of subsidies.

Green Box: Phase 2

See also page 53. One proposal would maintain the Green Box as a set of measures that do not distort trade or are minimally distorting. Among the additions would be programmes that reimburse additional costs arising from the protection of animal welfare, and special flexibility for developing countries tackling food security and poverty alleviation.

Another proposal envisages retaining the Green Box but updating the base periods for “decoupled” income supports, changing threshold levels for income insurance and safety net programmes, and similar adjustments on relief from natural disasters.

Several developing countries propose additional flexibility for their needs, including a “development box” added to the Green Box.

Some countries are more critical of the Green Box as it stands, arguing that despite its objectives it does distort trade by encouraging more production and lowering world prices. One country proposes: a quantitative means of measuring whether a policy is “non-distorting”; removing direct payments, decoupled income support, and subsidized income insurance and safety nets; revising criteria for structural adjustment programmes that include factor “retirement”; notification and evaluation criteria for disaster relief, investment aids, environmental programmes, and regional assistance; transparency for food security measures and food aid; and limits on Green Box spending.

A number of critics of the Green Box say this proposal is interesting, but would like to examine it further. A number of other members object to capping the Green Box, arguing that Green Box measures meet the fundamental criteria of non or minimal distortion.

One of the themes taken up, particularly by developing countries, is the view that while individual Green Box programmes may appear to be non-distorting, the cumulative effect of the large amounts spent does distort for a number of reasons.

Phase 2 papers or “non-papers” from: Argentina, Cyprus, nine developing countries (Cuba, Dominican Rep, Honduras, Nicaragua, El Salvador, Kenya, Pakistan, Sri Lanka, Zimbabwe), the EU, Japan, and Namibia

Green Box: additional issues (Phase 2)

More countries have reservations about proposals on the Green Box. Proposed are: greater flexibility for developing countries under this box, i.e. developing countries would be allowed to use certain measures without restriction by putting them in the Green Box; and some definition for determining whether measures really are minimally trade distorting.

These were based partly on the argument that the large amounts that are being spent under the Green Box and through switching from the Amber and Blue Boxes do have an effect on wealth and income that can significantly distort production and trade.

Some members argue that the Green Box subsidies are defined as those that cause no or minimal distortion. Therefore, they say, any shift in support to the Green Box should be welcomed. Some also opposed putting some of the measures in the Green Box.

Phase 2 papers or "non-papers" from: some Caricom countries (Food aid, Green Box subsidies, non-trade concerns, special agricultural safeguard mechanism for developing countries and small developing economies, trade preferences) and Mauritius (Green Box)

Green Box: preparations for 'modalities'

There are two broad questions:

Is the Green Box flexible enough to cover non-trade concerns (environmental protection, rural development, animal welfare, etc) and developing countries' needs?

Several countries call for more flexibility, with one proposing a new paragraph for Annex 2 (which defines the Green Box) to allow compensation for the costs of applying higher standards such as animal welfare that are imposed by consumers and voters ("non-producer concerns").

A number of developing countries call for more flexibility for their concerns.

The more ambitious liberalizers express concern that many proposals would add trade-distorting subsidies to the Green Box.

Does the Green Box distort trade? Several developed and developing countries say "yes" either because of the sheer scale of Green Box subsidies in some countries, because certain income supports cut farmers' costs, reduce risks, and sustain supply, or because some programmes have been implemented in a way that distorts (for example base periods used to set supported income levels have been adjusted). One developing country cites the example of a country which spent \$1.3 billion on income support for rice farmers in 1999/2000, when that country's total rice production was worth \$1.2 billion.

These countries want Green Box payments capped overall, specific types of programmes limited, or some income support programmes removed from the Green Box. Some want to re-examine the condition that these subsidies should be non- or minimally-trade-distorting.

Other countries reject the view that the Green Box is more than minimally distorting.

> The revised first draft 'modalities' on the Green Box

The Green Box would be maintained, with some possible amendments:

- adding fixed or unchanging reference periods (some Green Box provisions allow countries to base their calculations on base periods that can change)
- tightening rules on criteria for compensation that is allowed to be in the Green Box
- allowing compensation for increased costs of protecting animal welfare.

Under special and differential treatment for developing countries, new types of direct payments would be added, some criteria would be adjusted.

> The draft frameworks on the Green Box

(Papers listed on page 81)

The US-EU draft says nothing about the Green Box. The G-20 framework proposes reductions on

categories of Green Box subsidies (some income supports — paragraphs 5–13 of Annex 2 of the Agriculture Agreement) that the group considers to distort trade, along with additional, unspecified disciplines. Japan, Norway and the European-East Asian group oppose changing or limiting the Green Box. The African Union/ACP/least-developed countries call for developed countries' "trade distorting" Green Box measures to be limited. Caricom calls for stronger criteria for the Green Box.

The **Pérez del Castillo** and **Derbez** texts propose that the criteria for the Green Box be negotiated or reviewed — the **Derbez** draft narrows the focus by spelling out the purpose: to ensure the Green Box is minimally distorting.

Animal welfare and the Green Box: Phase 1

The discussion on animal welfare includes the idea of compensating farmers for the extra costs they bear when they are required to meet higher standards of animal welfare. Under the proposal, these payments would be in the Green Box of permitted domestic support. The debate has partly been about whether this would be at the expense of human welfare, particularly in poorer countries.

Proposals on animal welfare submitted in Phase 1

- **EU:** animal welfare and trade in agriculture G/AG/NG/W/19
- **EU:** comprehensive negotiating proposal G/AG/NG/W/90

The 'Blue Box': Phase 1

The Blue Box is an exemption from the general rule that all subsidies linked to production must be reduced or kept within defined minimal ("*de minimis*") levels. It covers payments directly linked to acreage or animal numbers, but under schemes which also limit production by imposing production quotas or requiring farmers to set aside part of their land. Countries using these subsidies — and there are only a handful — say they distort trade less than alternative Amber Box subsidies. Currently, the only members notifying the WTO that they are using or have used the Blue Box are: the EU, Iceland, Norway, Japan, the Slovak Republic, Slovenia, and the US (now no longer using the box).

At the moment, the Blue Box is a permanent provision of the agreement. Some countries want it scrapped because the payments are only partly decoupled from production, or they are proposing commitments to reduce the use of these subsidies. Others say the Blue Box is an important tool for supporting and reforming agriculture, and for achieving certain "non-trade" objectives, and argue that it should not be restricted as it distorts trade less than other types of support (*see below on page 70*). The EU says it is ready to negotiate additional reductions in Amber Box support so long as the concepts of the blue and Green Boxes are maintained.

Blue Box: Phase 2

A number of developed and developing countries favour getting rid of the Blue Box (moving it into the Amber Box). They propose additional disciplines while it is being phased out. These countries see the Blue Box as an interim or transitional measure to help subsidizing countries move away from Amber Box subsidies. The counter argument is that the Blue Box should be preserved — although some members are prepared to discuss modifications — arguing that it distorts less than the Amber Box and helps make reforms easier to undertake.

Phase 2 papers or "non-papers" from: The Cairns Group.

Blue Box: preparations for 'modalities'

Some liberalizers call for the Blue Box to be phased out over a period to be negotiated. Others propose five years for developed countries and nine years for developing countries — the same as the

Amber Box phase out. They consider the Blue Box to have been a temporary measure that distorts trade and has outlived its usefulness.

Others vigorously defend the Blue Box, saying it distorts trade less than the Amber Box, and is necessary to allow reform to take place in their countries — they see it as a staging post in the move away from the Amber Box.

> *The revised first draft 'modalities' on the Blue Box*

Current Blue Box payments would be capped and bound. Then, they would either be halved over five years (cut 33% over 10 years for developing countries), or merged into the Amber Box (i.e. included in “current total aggregate measurement of support” or AMS) — developing countries would be allowed to delay the merger until the fifth year.

> *The draft frameworks on the Blue Box*

(Papers listed on page 81)

Before Cancún: The US-EU draft proposes modifying the definition of the Blue Box (removing the reference to “production-limiting programmes” from Article 6.5 of the Agriculture Agreement) and limiting this to 5% of the value of agricultural production by the end of the implementation period. The G-20 wants the Blue Box eliminated. Japan wants it maintained but is willing to modify it.

In Cancún: Norway’s Cancún paper proposes giving governments the option of either adopting the US-EU revised definition and limit, or halving the present Blue Box from 2000-02 levels. Israel proposes leaving the final limit open for negotiation. The African Union/ACP/least-developed countries want the Blue Box eliminated along with the Amber Box.

The chairs: The **Pérez del Castillo** and **Derbez** texts start off from US-EU draft but go some way towards the G-20’s call for elimination by adding further reductions beyond the end of the “implementation period”, to be negotiated. The Derbez text would also require a reduction in the combined value of supports in the Blue Box, de minimis and Amber Box, compared to the levels in 2000.

General comments on domestic support: preparations for 'modalities'

Some countries express concern that others’ proposals are so ambitious that they would be impossible to implement in their countries and disrupt the reform process. If the reform process is to continue and if the negotiations are to meet the deadlines and mandate set in Doha, then negotiators should stick to the “substantial reduction” mandate and the “architecture” set in the Uruguay Round, they say. One major trader complains that some proposals are formulated in a way that would force it to make far-reaching changes while other major traders would not have to do much. It adds that supports that vary according to market prices and enhance exports should be disciplined under export subsidies.

Others responded by arguing that the worst offenders should expect to have to do most.

August 2004 framework: domestic support

All developed countries will make substantial reductions in distorting supports, and those with higher levels are to make deeper cuts from “bound” rates (the actual levels of support could be lower than the bound levels). The way to achieve this will include reductions both in **overall** current ceilings (“bound levels”), and in **two components** — Amber Box and de minimis supports. The **third component**, Blue Box supports, will be capped; at the moment the Blue Box has no limits. The fine print contains a number of details but also stresses that these have to meet the long-term objective of “substantial reductions”.

All of these reduction commitments and caps will apply. However, the new WTO ceiling at the end of the implementation period (mathematicians would say “the binding constraint”) will be the lower of the value of trade-distorting support resulting from (i) the overall cut and (ii) the sum of the reductions/caps of the three components. In other words, countries would have to make the required reductions in Amber Box and de minimis support, and be within the capped limit of the Blue Box. Then, if they are still above the overall limit, they will have to make additional cuts in at least one of the three components in order to match the ceiling set by the overall cut.

Developing countries will be allowed gentler cuts over longer periods, and will continue to be allowed exemptions under Article 6.2 of the Agriculture Agreement (they can give investment and input subsidies that are generally available and are integral parts of development programmes, and provide domestic support to help farmers shift away from producing illicit crops).

Overall: tiered formula with downpayment

For the overall level of support (Amber Box, de minimis and Blue Box combined), a “tiered formula” will be used. This will be designed so that higher levels of support (those in higher “tiers”) will have steeper cuts. On top of that, in the first year, each country’s ceiling of permitted overall support will be cut by 20%. Details include how to measure the Blue Box component for the overall cut (“the higher of existing Blue Box payments during a recent representative period to be agreed and the cap established in paragraph 15”, which will be 5% of a country’s agricultural production during a yet-to-be-specified period).

Amber Box: tiered formula with caps on specific products

Amber Box (“final bound total AMS”) supports will also be cut using a tiered formula, so that higher supports have steeper cuts. There will be limits on supports for specific products — “product-specific AMSs will be capped”— in order to avoid shifting support between different products. Since the tiered formula applies to the total of support on all products, the text also says that the result will be cuts in support specified for some products.

De minimis

Currently developed countries are allowed a minimal amount of Amber Box support (“de minimis”). For support that is not given to specific products, this is defined as 5% of the value of total agricultural production. For support given to a specific product, the limit is 5% of production of that product. Developing countries are allowed up to 10% of these. The framework says de minimis will be reduced by an amount to be negotiated, with special treatment for developing countries, which will be exempt if they “allocate almost all *de minimis* support for subsistence and resource-poor farmers”.

Blue Box

Blue Box supports, currently unlimited, are to be capped at no more than 5% of the value of a country's agricultural production over a period that still has to be negotiated. Some flexibility will be allowed for countries whose Blue Box supports are an exceptionally large proportion of their trade distorting subsidies.

The framework endorses a point made by countries that defend the use of the Blue Box. They have argued repeatedly that they need to be able to switch from the more trade-distorting Amber Box subsidies to the less distorting Blue Box supports in order to make reform less painful and more feasible. The text therefore says "members recognize the role of the Blue Box in promoting agricultural reforms".

The definition of the Blue Box will be changed to include direct payments that do not require any production, provided the payments are based on certain fixed production conditions (related to acreages, yields, numbers of livestock, or historical production levels). But new criteria will also be negotiated to ensure the Blue Box really is less trade-distorting than Amber Box measures.

Green Box

Criteria for defining supports as "Green Box" will be reviewed and clarified to ensure that the supports really do not distort trade, or do so minimally. At the same time, the exercise will preserve the basic concepts, principles and effectiveness of the Green Box, and take account of non-trade concerns such as environmental protection and rural development.

After the framework: technical work on domestic support

Methodology for product-specific AMS (amber box) caps

The discussion covers the question of the base period for setting the caps and whether the approach should be uniform for all. Broadly, some propose basing this on actual supports. Some counter that to be consistent with other pillars, the base should be the final bound rate (the final ceiling on the aggregate measurement of support, AMS). Some advocate a harmonization method (narrowing the gaps by bigger cuts on higher supports).

Base period for domestic support commitments

Initial discussion on this subject is tentative, with some members saying they are still considering the issue.

Green box

Green Box topics include: review and clarification of criteria, special treatment for developing countries, and monitoring and surveillance. The initial discussions are more political than in other subjects. The main area of agreement is that the Green Box is defined as supports that do not distort or distort minimally (paragraph 1 of Annex 2 of the Agriculture Agreement), and that the objective of the “review and clarification” is to maintain this.

But broadly, opinions diverge on whether this implies simply a “health checkup” or reforming the Green Box. Some members want to see new disciplines on a number of programmes currently in the box — particularly income supports and similar programmes, if these encourage farmers to produce more because the supports are large enough to cover various costs and risks, or if they are designed in a way that encourages farmers to expect more subsidies in the future, for example because base periods are adjusted. Those on the “health checkup” side stressed the need to preserve the Green Box as a tool for moving away from other more distorting subsidies (Amber and Blue Box supports).

OTHER ISSUES

DEVELOPING COUNTRIES

Broadly, the discussion about developing countries boils down to three main questions: Should developing countries be given a large amount of special treatment or should the negotiations avoid setting separate rules for separate groups? Should the agricultural deal accept that there are distinctly different subcategories of countries within the developing country category? And should special and differential treatment allow developing countries to protect themselves against trade from other developing countries?

Phase 1

Developing countries are active in agriculture negotiations and several groups have put their names to negotiating proposals. In general, they reflect a diverse range of interests in the debate, and the distinctions are not always clear.

For example, the Cairns Group — which favours much greater liberalization in agricultural trade — is an alliance that cuts across the developed-developing country boundaries. Fourteen of its 17 members are developing countries. Like most WTO members, the Cairns Group would also like to see developing countries given some kind of “special and differential” treatment to take account of their needs.

Several developing countries have submitted proposals that would lead to clearly separate rules for developed and developing countries. Some proposals are jointly sponsored, the one with the most sponsors coming from the African Group. Three proposals come from a group of 11 or 12 developing countries. Another is from WTO members from the Association of Southeast Asian Nations (ASEAN), four of whom are also in the Cairns Group. There are also proposals from small island developing states, Caricom, and individual member governments such as Swaziland, Mali, India, Morocco, Turkey, Egypt and Namibia.

Some countries say WTO arrangements should be more flexible so that developing countries can support and protect their agricultural and rural development and ensure the livelihoods of their large agrarian populations whose farming is quite different from the scale and methods in developing countries.

They argue, for example, that subsidies and protection are needed to ensure food security, to support small scale farming, to make up for a lack of capital, or to prevent the rural poor from migrating into already over-congested cities. India's and Nigeria's proposals are among those that emphasize food security issues for developing countries.

At the same time, some developing countries make a clear distinction between their needs and what they consider to be the desire of much richer countries to spend large amounts subsidizing agriculture at the expense of poorer countries.

Many developing countries complain that their exports still face high tariffs and other barriers in developed countries' markets and that their attempts to develop processing industries are hampered by tariff escalation (higher import duties on processed products compared to raw materials). They want to see substantial cuts in these barriers.

On the other hand, some smaller developing countries have expressed concerns about import barriers in developed countries falling too fast. They say they depend on a few basic commodities that currently need preferential treatment (such as duty-free trade) in order to preserve the value of their access to richer countries' markets. If normal tariffs fall too fast, their preferential treatment is eroded,

they say. Some developing countries see this situation as almost permanent. Others, such as Caricom, view it as a transition, and are calling for binding commitments on technical and financial assistance to help them adjust, including the creation of a technical assistance fund for the purpose.

Some developed and developing countries have argued that all developing countries should participate in liberalization and integration into world markets, even if the terms are more relaxed. (In the 1986–94 Uruguay Round negotiations, participants agreed that the rules and disciplines to be negotiated would be equally applied to all member governments.)

WTO statistics show that developing countries as a whole have seen a significant increase in agricultural exports. Agricultural trade rose globally by nearly \$100bn between 1993 and 1998.² Of this, developing countries' exports rose by around \$47bn — from \$120bn to \$167bn in the period. Their share of world agricultural exports increased from 40.1% to 42.4%. But within the group, some individual developing countries have seen their agricultural trade balance deteriorate — their imports have risen faster than their exports. (*For more details, see WTO Secretariat background paper "Agricultural Trade Performance by Developing Countries, 1990–98" G/AG/NG/S/6 and Rev.1 downloadable from http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm#secretariat_papers*)

Proposals or proposals with significant sections specifically on developing countries submitted in Phase 1

(several other proposals also contain items on developing countries)

- **11 developing countries:** special and differential treatment and a development box G/AG/NG/W/13
- **ASEAN:** special and differential treatment for developing countries in world agricultural trade G/AG/NG/W/55
- **Swaziland:** market access under special and differential treatment for small developing countries G/AG/NG/W/95
- **Mauritius:** proposal G/AG/NG/W/96
- **Small island developing states:** proposal G/AG/NG/W/97
- **Mali:** proposal G/AG/NG/W/99
- **Caricom:** proposal G/AG/NG/W/100
- **India:** proposal G/AG/NG/W/102
- **Morocco:** proposal G/AG/NG/W/105
- **Turkey:** proposal G/AG/NG/W/106
- **Egypt:** proposal G/AG/NG/W/107
- **Nigeria:** proposal G/AG/NG/W/130
- **Congo, Dem Rep:** proposal G/AG/NG/W/135
- **Kenya:** proposal G/AG/NG/W/136
- **Senegal:** preliminary positions G/AG/NG/W/137
- **Mexico:** proposal G/AG/NG/W/138
- **Jordan:** proposal G/AG/NG/W/140
- **African Group:** joint proposal G/AG/NG/W/142
- **Namibia:** proposal G/AG/NG/W/143

Development box, single commodity producers, small island developing states, special and differential treatment: Phase 2

These four closely-related subjects are discussed in the final informal meeting of Phase 2 (with some further comment on-the-record in the formal meeting). A number of comments under these headings are similar, with some differences, depending on the specific proposals contained in the non-papers. The relationship between the development box and special and differential treatment (S&D) is mentioned: e.g. one delegation describes the development box as a subset of S&D, another says it is an "operational extension" of S&D.

Broadly speaking, the debate is about how to treat developing countries' problems in the negotiations' outcome. Two or three strands feature in the discussion:

² Excluding trade within the European Union.

- **Market orientation v. protection:** whether special protection and support (for example exempting certain products from all commitments) should be allowed for developing countries to address their particular situations, or whether liberalization with some flexibility is more effective
- **Unique v. shared concerns for developing and developed countries:** whether issues such as food security and rural development should be handled uniquely for developing countries, or whether others such as transition economies and developed countries should also be covered
- **Unique v. shared weaknesses among developing countries:** whether provisions should apply generally to all developing countries, or whether specific groups of developing countries need extra provisions. Underlying this discussion is the question of whether a liberal trade regime would favour some developing countries with inherent advantages in agriculture, or whether other developing countries would be hurt by more liberal trade.

The debate develops into a discussion about whether the “enabling clause” might be revised. (The enabling clause is officially the “Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries”. It was adopted under GATT in 1979 and enables developed members to give differential and more favorable treatment to developing countries. Although it allows flexibility, including additional special treatment for least developed countries, the clause interpreted to require preferential treatment to be generally available to all developing countries.

(See http://www.wto.org/english/tratop_e/devel_e/d2legl_e.htm#enabling_clause.)

In the formal meeting, some developing countries (Malaysia, Paraguay) say they oppose reopening the enabling clause and stress that special and differential treatment should be available equally to all developing countries. Some others (Mauritius, Grenada) say that all subjects should be open for negotiation and members should not prejudge the result.

Development Box details: Phase 2

One proposal envisages provisions that would only apply to developing countries, and would consist of broad flexibilities rather than specific prescribed policies. The emphasis is on targeting low-income farmers lacking resources, and on secure supplies of staple foods. The means would be: exemptions from commitments on these staples, the possibility of negotiating higher tariffs, allowing developing countries to use simple safeguards to protect staples, a ban on developed countries “dumping” agricultural products, an international food security fund, and so on. Another agrees with the idea of flexibilities for developing countries, but raises questions about how these would be handled.

All who speak accept the need for special treatment for developing countries. A number of developing countries add their own ideas for the development box’s contents, including better market access to developed countries’ markets and binding commitments on technical assistance. However, views differ on what groups of countries should qualify for what kind of special treatment.

A lot of other developing countries (from several groupings) oppose this proposal. They say it would harm trade *between* developing countries, which should be encouraged instead. They also say some of the ideas are in the opposite direction to the one set in the Doha Ministerial Declaration — the objective of achieving a more market oriented agriculture trading system through reductions in support and protection applies to all WTO members (*see page 8*).

Many countries oppose the idea of different sets of rules for developed and developing countries. They caution against adopting policies that increase trade distortion. Some also argue that instead of raising tariffs, developing countries should target low-priced subsidized exports through countervailing duty. Some countries say concerns such as food security and rural development apply to them as well. Many developing countries oppose extending development box provisions, such as those dealing

with food security, to developed countries.

Phase 2 papers or "non-papers" from: 9 developing countries (Cuba, Dominican Rep, El Salvador, Honduras, Kenya, Nigeria, Pakistan, Sri Lanka and Zimbabwe), Switzerland, Mauritius, and Japan

Single commodity producers details: Phase 2

The proposal under this heading envisages special treatment for these countries and technical assistance to help them diversify. Among the specific ideas: transparency in the operations of multinational corporations, similar to those applying to state trading enterprises; improved market access (including removal of tariff peaks, tariff escalation and non-tariff barriers); price stabilization schemes; access to technology; diversification and capacity building.

Many developing countries support these points. Others pick points they agree with such as getting rid of tariff peaks and escalation. Some argue that dependency on single commodities can be the result of trade preferences in developed-country markets. Some argue that the question of multinational corporations is a good reason for having negotiations on competition policy. Some also point out that commodity agreements designed to stabilize prices have failed.

The discussion includes the question of domestic reform. Some developing countries say they no longer rely on a small number of commodities because they have successfully diversified into other agricultural products and into other economic sectors such as tourism and manufacturing. They say domestic reform is often needed for any country to make use of new trade opportunities. Some others say diversification is not always possible.

Phase 2 papers or "non-papers" from: African Group, Japan, and Mauritius

Small island developing states details: Phase 2

The proposals under this heading seek special treatment for small island developing states because these countries suffer from remoteness, vulnerability to natural hazards, lack of resources and lack of economies of scale. Among the detailed points are: continued trade preferences and numerous derogations or exemptions from commitments.

Many other countries sympathize with the problems these countries face. Some add that the Doha Development Agenda (*page 8*) includes work on small economies. Several caution against having too many categories of countries. Again the debate hinges on whether additional protection and support is the best solution, or whether it would be better to increase technical assistance and help these countries to integrate into a more market-oriented world economy.

And again, the discussion includes the question of whether diversification is always possible with domestic reform.

Paper or "non-paper" from: 9 countries (Dominica, Fiji, Jamaica, Madagascar, Mauritius, Papua New Guinea, St Lucia, St Vincent and the Grenadines and Trinidad and Tobago), Japan, and Mauritius

Special and differential treatment details: Phase 2

This debate is similar to the one on the development box, with the added dimension of two papers on programmes to grow crops as substitutes for illicit narcotics. Again, the debate hinges on whether protection and support is needed or whether market orientation (and the reduction of protection and support in developed countries) is the solution; and on whether some proposals might affect trade among developing countries.

Among the specific proposals are: better access to export markets; protecting domestic markets for some products by re-evaluating current tariff bindings; and flexibility to support and encourage domestic production. Some developing countries want to be able to use special safeguards in response to import surges. Others advocate using countervailing duty instead — to react to imports of subsidized products.

Many countries note that special and differential treatment has a high priority in the Doha Development Agenda and is an integral part of the negotiations. Some note that the Ministerial Declaration sets special and differential treatment within the overall objective of achieving a fair and market oriented agricultural trading system, meaning that all members would have to participate in reform. Special and differential treatment would be reflected in flexibilities.

Phase 2 papers or “non-papers” from: Colombia, a group of developing countries (African Group, Cuba, Dominican Rep, El Salvador, Honduras, Kenya, Pakistan and Sri Lanka), India, Bolivia, Mauritius, and CARICOM

Rural development: Phase 2

See also page 70 (non-trade concerns). Discussion on this topic has been one of the lengthiest in Phase 2. All papers and comments say this is important, particularly in developing countries. But is it also important for developed countries? Broadly, participants give one of three answers: yes, even if details are different; yes, specially for transition economies; no, or yes but there is a significant difference.

Several developing countries advocate various special provisions for dealing with their problems of food security, rural poverty, etc. These include additional transition periods, and a “development box” (*see also page 63*) of measures that would be added to the Green Box.

One proposal is for the development box to incorporate a “positive list” approach, i.e. each member would list the agricultural products it is ready to discipline under the Agriculture Agreement.

Several developed and developing countries emphasize the need for market orientation and the removal of distortions, even if flexibility is allowed to deal with rural poverty. Some warn that each country’s measures should not hurt others — they should be targeted, decoupled and transparent, and should move away from border and production measures.

Others argue that some price/production intervention is necessary to deal with rural development problems even in developed countries.

Phase 2 papers or “non-papers” from: Cyprus, nine developing countries (Cuba, Dominican Republic, El Salvador, Honduras, Kenya, Nicaragua, Pakistan, Sri Lanka, Zimbabwe), Norway, and Japan

Trade preferences: Phase 2

Most countries, both developed and developing, say trade preferences are important for poorer countries, and therefore the preferences should not be removed abruptly. But most also acknowledge that preferences will be eroded as tariffs in general are reduced, and so countries enjoying preferential treatment may need help to adjust.

One or two countries argue that they may have to depend on preferences over the longer term because they see little chance of becoming competitive. A few argue that their exports are such a small proportion of world trade that they have little impact on other countries — therefore others should not be concerned about the preferences remaining in force.

On the other hand, some countries doubt whether preferences are truly beneficial because they encourage small countries to be dependent on a small number of uncompetitive products, discourage diversification and prevent other countries from supplying those products. The countries currently depending on preferences would be better off when major markets liberalize and eliminate subsidies, according to this argument.

A number of developing countries say that the trade preferences cover non-agricultural products as well. Because the subject is now mandated more broadly under the declaration of the Doha Ministerial Conference, these countries say it should be discussed outside the agriculture committee.

Among the details developed in the new proposals and the Phase 2 discussion are:

- Criteria for deciding which countries should be eligible for preferences, e.g. those currently enjoying preferences, with some additions, but perhaps only small players
- Clearer criteria for “graduation” (determining that a country’s products have progressed enough to continue without preferential treatment)
- Ensuring preferences are predictable (including longer or better defined time periods), stable, and have no “reciprocal” conditions attached.

One developed country currently giving trade preferences extensively says that in the long run, free trade agreements would provide more stability, predictability and transparency.

Phase 2 papers or “non-papers” from: the African Group, EU, Namibia, Paraguay and Swaziland

Preparations for ‘modalities’

In the preparations for “modalities”, developing country issues are not discussed as a separate item. Instead, they are part of the discussions on each of the three “pillars”: export subsidies and competition, market access, and domestic support.

> The revised first draft ‘modalities’

Special products: Under the draft, developing countries would be able to identify some products as “special products” (SP). They would be able to make lower tariff reductions on these products — a simple average reduction of 10%, with a minimum of 5% per product — and tariff quotas on these products would not have to be expanded.

Preferences: this is for “long-standing preferences” that developed countries give to developing countries — and it would apply for products accounting for at least 20% of a developing country’s total merchandise exports. In these cases, developed countries would:

- maintain to the maximum extent technically feasible, nominal margins (i.e. the difference between preferential and normal tariff rates)
- eliminate of all in-quota duties
- apply tariff cuts over 8 years instead of 5 years, with the first instalment deferred until the third year.

In addition, countries giving preferences would also provide technical assistance to help the developing country diversify.

Least-developed countries: this group would not have to make reduction commitments, but are encouraged to think about making some commitments “commensurate with their development needs” and in response to requests.

Specific groups of countries: The draft simply says participants would continue to consider propos-

als on these groups (for example, small island developing states, vulnerable economies, and transition economies).

> **The draft frameworks**

(Papers listed on page 81)

Before Cancún: Many proposals are already included under the three pillars, for example: longer time periods, gentler reductions, possible exemptions from some types of formulas, exemptions from expanding tariff quotas, the use of a new special safeguards mechanism and designated special products that would be exempt tariff reductions or be allowed much smaller reductions (*see also relevant sections under each of the three pillars*).

In addition some drafts envisage maintaining or enhancing criteria for export subsidies and domestic supports that developing countries are allowed (the Agriculture Agreement's Articles 6.2 on domestic support for such purposes as replacing narcotics crops and 9.4 on certain export subsidies). Most drafts support duty-free imports for products from least-developed countries. The G-20, Norway and Kenya call for the concerns new members to be taken into account, for example by giving them longer time periods for reductions. And the G-20 and Kenyan drafts propose means of dealing with preference erosion.

In Cancún: Israel says references to special and differential treatment under each of the three pillars should use the same wording, which should be taken from the Doha Declaration. This says special treatment "... shall be an integral part of their development needs including food security and rural development ...". Caricom proposes that an unspecified number of products representing a small percentage of a country's imports can be treated as "import sensitive", and have gentler or no tariff reductions. It also proposes in detail how slower tariff reductions would be implemented by developed countries in order to slow down preference erosion. This is linked to technical assistance for the developing countries concerned. The African Union/ACP/least-developed countries call for no tariff ceilings for developing countries, for preferences to be handled under relevant parts of the revised "modalities" draft, and for a "compensatory mechanism" to be developed.

Chairs' drafts: The **Pérez del Castillo** and **Derbez** drafts reflect these points. They also propose that the Article 9.4 special allowances for developing countries' export subsidies should continue until export subsidies are phased out. They envisage that concerns of recent new members should be taken into account — the Derbez paper proposes longer time periods and gentler tariff reductions. And they reflect the calls for preference erosion to be addressed, Derbez adopting Kenya's call for work on this to build on the revised "modalities" draft.

August 2004 framework: developing countries

Special and differential treatment and other issues raised by developing countries are spread through all the subjects in the August 2004 framework. A short paragraph on least-developed countries says they won't have to make reduction commitments. Developed countries should provide duty-free and quota-free market access for LDCs' exports, and so should developing countries "in a position to do so". Cotton is important to some LDCs and this will be reflected in work on all pillars — members agree to achieve ambitious and quick results. They also agree to set up a sub-committee to work specifically on this topic.

DECISION ON NET FOOD-IMPORTING DEVELOPING COUNTRIES

A number of developing countries that depend on imports for their food supply are also concerned about possible rises in world food prices as a result of reductions in richer countries' subsidies. Although they accepted that higher prices can benefit farmers and increase domestic production, they feel that their concerns about food imports need to be addressed more effectively.

The WTO agreements include a *Decision on the Possible Negative Effects of the Reform Programme on Least-Developed and Net-Food Importing Developing Countries*. As a result of this decision the Food Aid Convention was recently renegotiated and concluded in July 1999 in the International Grains Council. The WTO Committee on Agriculture also regularly reviews actions within the framework of the decision, in such areas as technical and financial assistance provided by industrialized countries to least-developed and net-food importing countries to assist in improving their agricultural productivity and infrastructure.

Proposals emphasizing positions on this submitted in Phase 1

- **Small island developing states:** proposal G/AG/NG/W/97
- **Egypt:** proposal G/AG/NG/W/107
- **Nigeria:** proposal G/AG/NG/W/130
- **Kenya:** proposal G/AG/NG/W/136
- **Senegal:** preliminary positions G/AG/NG/W/137
- **MERCOSUR, Bolivia, Chile, Costa Rica, Guatemala, India, Malaysia:** export credits G/AG/NG/W/139
- **African Group:** joint proposal G/AG/NG/W/142

> *The draft frameworks*

(Papers listed on page 81)

Kenya's draft concentrates on special and differential treatment for developing countries, proposing in the preamble that this should allow developing countries effective access to richer countries' markets while allowing them to have "provisions and instruments" that take account of farmers' livelihoods, food security and poverty eradication.

The **Pérez del Castillo** and **Derbez** drafts take up the calls from Kenya, the four central American countries and the African Union/ACP/least-developed countries for disciplines on export credit to take into account the concerns of net food-importing developing countries and least-developed countries.

The US-EU draft defines a new category of countries, the significant net food exporters, and says special and differential treatment for these countries should be adjusted. None of the other proposals mention this, including the **Pérez del Castillo** and **Derbez** drafts.

August 2004 framework: net food-importing developing countries

In its section on export competition (paragraph 24), the framework says the final agreement on export credit, credit guarantees, and insurance programmes will make appropriate provision of net food-importing and least-developed countries.

TRANSITION ECONOMIES

So far, two proposals deal specifically with concerns of countries in transition from central planning to market economies. They deal with domestic support and market access. These countries say that shortage of capital, lack of a well-functioning credit system, government budget constraints and other problems they are experiencing in the transition mean that exposing agriculture to market forces would disrupt the sector.

For domestic support, these countries are calling for extra flexibility in providing certain subsidies (for example for debt and interest payments) and in general to be allowed higher ceilings on amounts of support that are considered small enough (“de minimis”) not to be counted in reduction commitments. Under market access they want to continue protecting some of their own products with existing tariff levels — without having to reduce them further — including those that already have low tariffs. They also want to negotiate the removal of non-tariff barriers in their export markets.

These countries stress that the flexibility would be temporary — so long as the problems of transition persist — and would not lead to additional distortions in agricultural trade.

> *The revised first draft ‘modalities’*

For specific groups of countries in general, including transition economies, the draft simply says participants will continue to consider proposals on these groups.

Proposals on transition economies submitted in Phase 1

- **12 transition economies:** domestic support — additional flexibility for transition economies G/AG/NG/W/56
- **11 transition economies:** market access G/AG/NG/W/57

> *The draft frameworks*

(Papers listed on page 81)

The **Pérez del Castillo** and **Derbez** drafts deal broadly with this as “flexibility for certain groupings” among a long list of “other” issues to be negotiated by building on the revised “modalities” draft.

August 2004 framework: transition economies and new members

By August 2004 a number of economies in transition from central planning had joined the EU. Several of the rest joined forces with other countries that had recently joined the WTO in pressing for additional flexibility because they are already liberalizing under their membership agreements. The framework confirms this in principle, with details to be negotiated further.

'NON-TRADE' CONCERNS: AGRICULTURE CAN SERVE MANY PURPOSES

The Agriculture Agreement provides significant scope for governments to pursue important “non-trade” concerns such as food security, the environment, structural adjustment, rural development, poverty alleviation, and so on. Article 20 says the negotiations have to take non-trade concerns into account.

Phase 1

A number of countries have produced studies to support their arguments, and these studies have also been debated — in particular, 38 countries submitted a note for the September 2000 meeting that includes their papers for a conference on non-trade concerns. Some other countries responded by agreeing that everyone has non-trade concerns and by calling for proposals for specific measures to be tabled so that the negotiations can move on to whether trade-distorting measures are really justified.

Most countries accept that agriculture is not only about producing food and fibre but also has other functions, including these non-trade objectives. The question debated in the WTO is whether “trade-distorting” subsidies, or subsidies outside the “Green Box”, are needed in order to help agriculture perform its many roles.

Some countries say all the objectives can and should be achieved more effectively through “Green Box” subsidies which are targeted directly at these objectives and by definition do not distort trade. Examples include food security stocks, direct payments to producers, structural adjustment assistance, safety-net programmes, environmental programmes, and regional assistance programmes which do not stimulate agricultural production or affect prices. These countries say the onus is on the proponents of non-trade concerns to show that the existing provisions, which were the subject of lengthy negotiations in the Uruguay Round, are inadequate for dealing with these concerns in targeted, non-trade distorting ways.

Other countries say the non-trade concerns are closely linked to production. They believe subsidies based on or related to production are needed for these purposes. For example, rice fields have to be promoted in order to prevent soil erosion, they say.

Countries such as Japan, Rep of Korea and Norway place a lot of emphasis on the need to tackle agriculture’s diversity as part of these non-trade concerns. The EU’s proposal says non-trade concerns should be targeted (e.g. environmental protection should be handled through environmental protection programmes), transparent and cause minimal trade distortion.

Many exporting developing countries say proposals to deal with non-trade concerns outside the “Green Box” of non-distorting domestic supports amount to a form of special and differential treatment for rich countries. Several even argue that any economic activity — industry, services and so on — have equal non-trade concerns, and therefore if the WTO is to address this issue, it has to do so in all areas of the negotiations, not only agriculture. Some others say agriculture is special.

Proposals that include positions emphasizing non-trade concerns submitted in Phase 1:

- **EU:** comprehensive negotiating proposal G/AG/NG/W/90
- **Japan:** proposal G/AG/NG/W/91
- **Switzerland:** proposal G/AG/NG/W/94
- **Mauritius:** proposal G/AG/NG/W/96
- **Rep of Korea:** proposal G/AG/NG/W/98
- **Norway:** proposal G/AG/NG/W/101
- **Poland:** proposal G/AG/NG/W/103
- **Congo, Dem Rep:** proposal G/AG/NG/W/135
- **Jordan:** proposal G/AG/NG/W/140

Submissions for discussion on non-trade concerns tabled in Phase 1

- **38 countries:** non-trade concerns (conference papers) G/AG/NG/W/36/Rev.1
- **Argentina:** technical submission on non-trade concerns G/AG/NG/W/88
- **Croatia:** submission G/AG/NG/W/141

Food security: Phase 2

See also page 61 (*developing countries*) and page 68 (*net-food importers*). The length of the debate reflects the fact that all countries consider food security to be important, especially for developing countries. Opinions differ on how to deal with this. Among the ideas discussed:

Is it necessary to protect domestic production in order to ensure food security? Most countries say this is best handled through a combination of means, but they vary a lot in the emphasis they give to various methods. These include: trade (importing, together with exporting in order to finance imports); stockholding; and domestic production (which can require some support and protection in developing countries).

They differ on whether liberalization and market orientation should be the main route because distortions jeopardize food security (countries advocating substantial liberalization take this view); whether market failings and particular circumstances such as an adverse climate require more emphasis on intervention (importing developing countries, some developed countries favouring continued protection and support); or whether a gradual approach towards liberalization is best (some European countries).

Some developing countries argue that they need to intervene in agricultural trade because they see little prospect of developed countries ceasing to distort markets with subsidies and protection, because at times they lack foreign exchange, and because they need to support small-scale subsistence farming.

Some countries distinguish between short-term and long-term measures and between different problems. One view is that developing countries' short-term problems in obtaining food are best served with well-targeted food aid. In the long term, the solution is raising incomes, which means liberalization is part of the long-term best solution. However, complete reliance on market forces could lead to specialization in different regions, increasing the risk of acute shortages when weather and other conditions are unfavourable in those regions, and therefore, the best approach is gradual, monitoring the impacts, according to this view.

Some other countries agree that raising incomes is the long-term solution to food security. But for the short term, the Marrakesh Ministerial Decision on Net Food-Importing Developing Countries and Least Developed Countries, combined with food aid and other emergency measures apply, they say.

International stockholding and a revolving fund: Some countries propose creating an international stockpile. A number of developing countries have proposed a safety-net revolving fund to allow net food-importing developing countries and least developed countries to borrow in order to buy food in times of shortage. Developing countries concerned about food security support the stockpile proposal. Some countries question whether there should be a new fund, preferring existing World Bank and IMF programmes.

Phase 2 papers or "non-papers" from: Japan, the US, and 12 developing countries (Cuba, Dominican Republic, El Salvador, Honduras, Kenya, Nicaragua, Nigeria, Pakistan, Peru, Sri Lanka, Venezuela, and Zimbabwe)

Environment: Phase 2

Among the topics covered in the debate: Are environmental concerns best handled through comprehensive liberalization and "targeted, transparent and non- or minimally-distorting" Green Box sup-

ports? Or is agriculture special — i.e. is some support linked more directly to production necessary, particularly in areas where agricultural production has a low potential because production is needed for environmental reasons?

Phase 2 papers or “non-papers” from: from the Cairns Group, Japan and Norway

Preparations for ‘modalities’

In the preparations for “modalities”, non-trade concerns are not discussed as a separate item. Instead, they are taken into account in the discussions on each of the three “pillars”: export subsidies and competition, market access, and domestic support. Countries pressing for this issue to be included repeatedly stressed that it is important for them.

> The revised first draft ‘modalities’

Again, this issue is not treated separately but taken into account under various headings in the draft.

> The draft frameworks

(Papers listed on page 81)

Japan’s proposal calls for flexibility in improving market access when products are sensitive and closely related to non-trade concerns. The **Pérez del Castillo** and **Derbez** drafts take up the approach of the US-EU draft: that certain non-trade concerns would come under “further work” to be undertaken.

August 2004 framework: non-trade concerns

The framework’s introduction confirms that non-trade concerns will be taken into account.

THE PEACE CLAUSE

Article 13 (“due restraint”) of the Agriculture Agreement protects countries using subsidies which comply with the agreement from being challenged under other WTO agreements. Without this “peace clause”, countries would have greater freedom to take action against each others’ subsidies, under the Subsidies and Countervailing Measures Agreement and related provisions. The peace clause is due to expire at the end of 2003.

Some countries want it extended so that they can enjoy some degree of “legal security”, ensuring that they will not be challenged so long as they comply with their commitments on export subsidies and domestic support under the Agriculture Agreement.

Some others want it to lapse as part of their overall objective to see agriculture brought under general WTO disciplines that deal with governments’ ability to take action against subsidies.

Some countries have proposed variants. Canada would like to see “Green Box” domestic supports freed from the possibility of countervailing action under the Subsidies Agreement. India proposes that something like the peace clause should be retained but only for developing countries, so that some subsidies are free from the possibility of countervailing duty.

Proposals referring to the peace clause submitted in Phase 1

- **EU**: comprehensive negotiating proposal G/AG/NG/W/90
- **Canada**: domestic support G/AG/NG/W/92
- **Mauritius**: proposal G/AG/NG/W/96
- **India**: proposal G/AG/NG/W/102
- **Turkey**: proposal G/AG/NG/W/106
- **Nigeria**: proposal G/AG/NG/W/130
- **Kenya**: proposal G/AG/NG/W/136
- **Mexico**: proposal G/AG/NG/W/138
- **African Group**: joint proposal G/AG/NG/W/142
- **Namibia**: proposal G/AG/NG/W/143

> *The draft frameworks*

(Papers listed on page 81)

The US-EU draft includes the peace clause under issues still to be discussed. Norway calls for it to be continued. The **Pérez del Castillo** text lists it among issues still to be discussed. The **Derbez** draft proposes extending the peace clause by an unspecified number of months.

August 2004 framework: the peace clause

The August 2004 framework does not mention the peace clause.

THE COTTON INITIATIVE

This issue is being handled separately from the agriculture negotiations and members' views differ as to whether it should be negotiated under agriculture or in some other part of the negotiating structure. It was originally raised both in the General Council and the agriculture negotiations by Benin, Burkina Faso, Chad and Mali. It describes the damage that the four believe has been caused to them by cotton subsidies in richer countries, calls for the subsidies to be eliminated, and for compensation to be paid to the four while the subsidies are being paid out to cover economic losses caused by the subsidies.

The four first wrote to WTO Director-General Supachai Panitchpakdi on 30 April 2003, introducing a "Sectoral Initiative in Favour of Cotton", which was presented on 10 June 2003 to the Trade Negotiations Committee by Burkina Faso President Blaise Compaoré. The Agriculture Committee's Special Sessions (i.e. the negotiations) also discussed the proposal (document TN/AG/GEN/4) on 1 and 18 July 2003.

The proposal is now a Cancún Ministerial Conference document, WT/MIN(03)/W/2 and WT/MIN(03)/W/2/Add.1. It seeks a decision in the Cancún Ministerial Conference as an agenda item titled "Poverty Reduction: Sectoral Initiative in Favour of Cotton — Joint Proposal by Benin, Burkina Faso, Chad and Mali".

Members' views differ as to whether this should be handled as a specific question or whether it should come under the broader heading of agricultural subsidies and domestic support. They also differ over the question of compensation, how it should be paid (for example whether it should be development assistance) and who should handle it — the WTO does not have development funding except for training officials in WTO affairs.

No conclusion was reached in Cancún and in early 2004 the debate continues, including how the discussion fits in with the negotiations and the Doha Development Agenda.

> *The Cancún draft*

This is not part of the agriculture frameworks, but a separate paragraph in the draft declaration (*see http://www.wto.org/english/thewto_e/minist_e/min03_e/draft_decl_rev2_e.htm, paragraph 27*).

August 2004 framework: cotton

In the main text, members say they consider the cotton initiative to be important in both of its two main points: the trade issues covered by the framework and the development issues. The two are linked.

Development: Referring to the WTO Secretariat's 23–24 March workshop on cotton in Cotonou, Benin, and other activities, the main part of the text instructs the Secretariat and the director general to continue to work with the development community and international organizations (World Bank, IMF, FAO, International Trade Centre), and to report regularly to the General Council. Members themselves, particularly developed countries, "should" engage in similar work.

Trade: The annex (the "framework") instructs the agriculture negotiations (the "Special Session" of the Agriculture Committee) to ensure that the cotton issue is given "appropriate" priority, and is independent of other sectoral initiatives. It says that both the overall approach of the framework and the cotton initiative itself are the basis for ensuring that the cotton issue is handled ambitiously, quickly and specifically within the agriculture negotiations.

Cotton Sub-Committee

The Cotton Sub-Committee was set up under the framework at the 19 November 2004 meeting of the agriculture negotiations. Its purpose is to focus on cotton as a specific issue in the agriculture talks.

The terms of reference say the sub-committee will be open to all WTO members and observer governments. International organizations that are observers in the agriculture negotiations will also be observers in the sub-committee. It will report periodically to the agriculture negotiations body, which in turn reports to the Trade Negotiations Committee, General Council and Ministerial Conference.

The July Package decision of 1 August 2004 stipulates that cotton will be addressed “ambitiously, expeditiously and specifically” within the agriculture negotiations. The sub-committee is tasked to work on “all trade-distorting policies affecting the sector”, in all three key areas of the agriculture talks — the “three pillars of market access, domestic support, and export competition” — as specified in the 2001 Doha Declaration, which launched the current negotiations, and the “framework” text, which is part of the July 2004 Package decision.

Its work will take into account the need for “coherence between trade and development aspects of the cotton issue”. This is a reference to the two major components of the original proposal: trade, which is covered by the negotiations on trade barriers, domestic support and export subsidies; and development, which covers various aspects of helping the less developed cotton producers face market conditions and other needs.

More on http://www.wto.org/english/news_e/news04_e/sub_committee_19nov04_e.htm

IN A NUTSHELL

The phases

Phase 1 (23–24 March 2000 to 26–27 March 2001)

- 7 meetings
- 45 proposals
- 4 documents described as notes, submissions, technical submissions, discussion papers
- proposals from **121** countries (counting the EU as 16, i.e. the 15 countries plus the EU as a group) or **85%** of the WTO's membership; or, including technical submissions, from 126 countries, 89% of the WTO's membership

	Proposals	Discussion papers /submissions
Comprehensive (or covering several topics)	US, EU, Japan, Switzerland, Mauritius, small island developing states, Rep of Korea, Mali, Norway, India, Poland, Morocco, Turkey, Egypt, Nigeria, Congo (Dem Rep), Kenya, Senegal, Mexico, Jordan, African Group, Namibia, Burkina Faso	Croatia
Export competition	Cairns Group, EU	MERCOSUR+
– Export restrictions, taxes	– Cairns Group	
– Export credits	– MERCOSUR, Bolivia, Chile, Costa Rica, Guatemala, India and Malaysia	
Domestic support	Cairns Group, US, Canada	
– Blue Box	– EU	
– Green Box	– Developing countries group (2)	
– Transition issues	– Transition economies	
Market access	Canada, Cairns Group, developing countries group (3), transition group, Caricom	
– Food quality	– EU	
– Tariff-rate quotas	– US	
– ... and S&D for small developing countries	– Swaziland	
Non-trade concerns		38 countries, Argentina
– Animal welfare	– EU	
Development, S&D	Developing countries group (1), ASEAN	
Other:		
– State trading enterprises	– MERCOSUR+	

"Developing countries group" = sponsored some or all of (1) G/AG/NG/W/13 (S&D and development box), (2) G/AG/NG/W/14 (Green Box), (3) G/AG/NG/W/37 + Corr.1 (market access)

(See page 84 for details of groupings)

Phase 2 (26–27 March 2001 to 4–7 February 2002)

Launched at the 26–27 March 2001 stock-taking meeting.

Phase 2 meetings

- 21–23 May 2001 informal meeting (tariff quota administration, tariffs, Amber Box)
- 23–25 July 2001 informal meeting (export subsidies, export credits, state trading enterprises, export taxes and restrictions, food security, food safety)
- 24–26 September 2001 informal meeting (rural development, geographical indications, Green Box, Blue Box, agricultural safeguards); 28 September formal meeting
- 3–4 December 2001 informal meeting (environment, trade preferences, food aid, consumer information and labelling, sectoral initiatives); 7 December formal meeting
- 4–6 February 2002 informal meeting: the development box, single commodity producers, special and differential treatment, small island developing countries, and "other issues". 7 February formal meeting, to end Phase 2.

The Doha mandate (from the Doha Ministerial Conference, November 2001)

Deadlines

- 31 March 2003: formulas and other "modalities" for countries' commitments
- Fifth Ministerial Conference, Mexico, 2003: countries' comprehensive draft commitments and stock taking
- 1 January 2005: Deadline for concluding negotiations, part of single undertaking

Preparations for 'modalities' and Cancún (26 March 2002 to September 2003)

Meetings and timetable

2002

- **June meeting: export subsidies and restrictions** ("intersessional" preparatory consultations 3–4 June 2002, informal 17–19 June, formal 20 June)
- **Early September meeting: market access** ("intersessional" preparatory consultations 29–30 July 2002, informal 2–3 September, formal 6 September)
- **Late September meeting: domestic support** (informal 23–25 September, formal 27 September)
- **November meeting: follow-up** ("intersessional" preparatory consultations 4–5 September 2002, informal 18–20 November, formal 22 November)
- **18 December: overview paper** drafted by Chairperson Harbinson, based on discussions so far.

2003

- **January meeting: comprehensive review based on overview paper** (informal/formal 22–24 January)
- **Drafting: first draft** of modalities document
- **February meeting: comments on first draft** (informal/formal 24–28 February)
- **Redrafting: second draft** of modalities document
- **March meeting: consideration of final text** (informal/formal 25–31 March)
- **31 March: deadline**
- April–June 2003 numerous technical consultations
- 26–27 June 2003 informal meeting, 1 July 2003 formal meeting
- 16–17 July 2003 informal meeting, 18 July 2003 formal meeting
- July–August 2003: preparations for the Cancún Ministerial Conference
- 10–14 September 2003: the **Cancún Ministerial Conference**

The July 2004 package (September 2003 to 1 August 2004)

Meetings and timetable

- **March, April and June 2004** agriculture negotiations meetings
- **July 2004** "July package" meetings under General Council and Trade Negotiations Committee, including a session on agriculture, 21 July
- **1 August 2004** framework agreed

The post-framework "modalities" phase (September 2004–)

Meetings and timetable

- **6–8 October 2004.** First reading: Green Box domestic support, export credit/guarantees/insurance; exporting state trading enterprises; food aid, ad valorem equivalents of specific duties; special safeguard mechanism for developing countries
- **15–19 November 2004.** First reading: tariff quota administration; base for tariff quota expansion; tropical products and goods produced as substitutes for narcotics; methodology for product-specific AMS (Amber Box) caps; base period for domestic support commitments. More details: ad valorem equivalents of specific duties; exporting state trading enterprises; food aid; export credit/guarantees/insurance; Green Box domestic support. Specialist group consultation: ad valorem equivalents of specific duties
- **13–17 December 2004**
- **7–11 February 2005**
- **14–18 March 2005**
- **13–19 April 2005**
- **30 May–3 June 2005**
- **11–15 July 2005**

Proposals

The proposals received in Phase 1

You can download these at: http://www.wto.org/english/tratop_e/agric_e/negoti_ph1_e.htm

- | | | |
|----|--------------|--|
| 1. | G/AG/NG/W/11 | Cairns Group: Export Competition — 16 June 2000 |
| 2. | G/AG/NG/W/12 | Canada: Market Access — 19 June 2000 |
| 3. | G/AG/NG/W/13 | Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, |

	Zimbabwe, Sri Lanka and El Salvador: Special and Differential Treatment and a Development Box – 23 June 2000
4. G/AG/NG/W/14	Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka and El Salvador: Green Box/Annex 2 Subsidies – 23 June 2000
5. G/AG/NG/W/15	United States: Comprehensive Long-Term Agricultural Trade Reform – 23 June 2000
6. G/AG/NG/W/16	US: Domestic Support Reform – 23 June 2000
7. G/AG/NG/W/17	EU: The Blue Box and Other Support Measures to Agriculture – 28 June 2000
8. G/AG/NG/W/18	EU: Food Quality: Improvement of Market Access Opportunities – 28 June 2000
9. G/AG/NG/W/19	EU: Animal Welfare and Trade in Agriculture – 28 June 2000
10. G/AG/NG/W/34	EU: Export Competition – 18 September 2000
11. G/AG/NG/W/35	Cairns Group: Domestic Support – 22 September 2000
12. G/AG/NG/W/37 + Corr.1	Cuba, Dominican Republic, El Salvador, Haiti, Honduras, Kenya, India, Nigeria, Pakistan, Sri Lanka, Uganda and Zimbabwe: Market Access – 28 September 2000
13. G/AG/NG/W/54	Cairns Group: Market Access – 10 November 2000
14. G/AG/NG/W/55	ASEAN: Special and Differential Treatment for Developing Countries in World Agricultural Trade – 10 November 2000
15. G/AG/NG/W/56	Albania, Bulgaria, Croatia, Czech Republic, Georgia, Hungary, Kyrgyz Republic, Latvia, Lithuania, Mongolia, Slovak Republic and Slovenia: Domestic Support – Additional Flexibility for Transition Economies – 14 November 2000
16. G/AG/NG/W/57	Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Kyrgyz Republic, Latvia, Slovak Republic, Slovenia, Croatia and Lithuania: Market Access – 14 November 2000
17. G/AG/NG/W/58	US: Tariff Rate Quota Reform – 14 November 2000
18. G/AG/NG/W/90	EU: Comprehensive negotiating proposal – 14 December 2000
19. G/AG/NG/W/91	Japan: Negotiating proposal – 21 December 2000
20. G/AG/NG/W/92	Canada: Domestic support – 21 December 2000
21. G/AG/NG/W/93	Cairns Group: Export restrictions and taxes – 21 December 2000
22. G/AG/NG/W/94	Switzerland: Negotiating proposal – 21 December 2000
23. G/AG/NG/W/95	Swaziland: Market access under special and differential treatment for developing countries – 22 December 2000
24. G/AG/NG/W/96	Mauritius: Negotiating proposal – 28 December 2000
25. G/AG/NG/W/97 + Corr.1	Barbados, Cuba, Dominica, Jamaica, Mauritius, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, and Trinidad and Tobago: Proposals by small island developing states (SIDS) – 29 December 2000
26. G/AG/NG/W/98	Rep of Korea: Negotiating proposal – 9 January 2001
27. G/AG/NG/W/99	Mali: Negotiating proposal – 11 January 2001
28. G/AG/NG/W/100	Caricom: Market access – 15 January 2001
29. G/AG/NG/W/101	Norway: Negotiating proposal – 16 January 2001
30. G/AG/NG/W/102	India: Food security, market access, domestic support, and export competition – 15 January 2001
31. G/AG/NG/W/103	Poland: Negotiating proposal – 19 January 2001
32. G/AG/NG/W/104 + Corr.1	Argentina, Brazil, Paraguay and Uruguay (MERCOSUR), Bolivia, Chile and Colombia: State trading enterprises – 23 January 2001
33. G/AG/NG/W/105	Morocco: Negotiating proposal – 5 February 2001
34. G/AG/NG/W/106	Turkey: Negotiating proposal – 5 February 2001
35. G/AG/NG/W/107 + rev.1	Egypt: Comprehensive proposal – 6 February 2001, revised 21 March 2001
36. G/AG/NG/W/130	Nigeria: Negotiating proposal – 14 February 2001
37. G/AG/NG/W/135	Congo, Democratic Rep: Negotiating proposal – 12 March 2001
38. G/AG/NG/W/136	Kenya: Negotiating proposal – 12 March 2001
39. G/AG/NG/W/137	Sénégal: Preliminary positions – 19 March 2001
40. G/AG/NG/W/138	Mexico: Negotiating proposal – 19 March 2001
41. G/AG/NG/W/139	MERCOSUR (Argentina, Brazil, Paraguay and Uruguay), Bolivia, Chile, Costa Rica, Guatemala, India and Malaysia: Export credits – 20 March 2001
42. G/AG/NG/W/140	Jordan: Negotiating proposal – 22 March 2001
43. G/AG/NG/W/142	African Group: Joint negotiating proposal – 23 March 2001
44. G/AG/NG/W/143	Namibia: Market access, domestic support, export competition, and non-trade concerns
45. G/AG/NG/W/185	Burkina Faso: Negotiating proposal – 16 May 2001

Technical submissions received in Phase 1

You can download these at: http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm#phase2

1. G/AG/NG/W/36 and	Barbados, Burundi, Cyprus, Czech Republic, Estonia, the European Communities, Fiji,
---------------------	---

G/AG/NG/W/36/Rev.1	Iceland, Israel, Japan, Korea, Latvia, Liechtenstein, Malta, Mauritius, Mongolia, Norway, Poland, Romania, Saint Lucia, Slovak Republic, Slovenia, Switzerland, and Trinidad and Tobago: Submission on Non-Trade Concerns – 22 September 2000; Revision – 9 November 2000
2. G/AG/NG/W/38 + Corr.1	Argentina, Brazil, Paraguay and Uruguay (MERCOSUR), Chile, Bolivia and Costa Rica: Discussion paper on Export Subsidies – Food Security or Food Dependency? – 27 September 2000
3.	
4. G/AG/NG/W/88	Argentina: Technical submission on legitimate non-trade concerns – 30 November 2000
5. G/AG/NG/W/141	Croatia: Submission – 23 March 2001

The proposals received in Phase 2

Most of these are proposals or elaborations of Phase 1 proposals. A few are questions on others' proposals. Most are off-the-record "non-papers".

Tariff quota administration

- **Australia:** Tariff quota administration
- **Cuba, Dominican Republic, El Salvador, Honduras, Kenya, Nicaragua, Nigeria, Pakistan, Sri Lanka, Tanzania and Zimbabwe:** Tariff rate quotas
- **EU:** Tariff rate quotas administration
- **Japan:** Questions on TRQ administration
- **Switzerland:** Administration of tariff rate quotas (TRQ) – the case for auctioning

Tariffs

- **Australia:** Tariffs
- **Japan:** Tariff Quota Commitment
- **Japan:** Questions on tariff
- **MERCOSUR, Chile and Bolivia:** Market access: ensuring the continuity of the reform process

Amber Box

- **Australia:** Amber Box support
- **EU:** Amber Box
- **Japan:** Questions on Amber Box

Special and differential treatment

- **Cuba, Dominican Republic, El Salvador, Honduras, Indonesia, Kenya, Nicaragua, Nigeria, Pakistan, Philippines, Sri Lanka, Tanzania, Venezuela and Zimbabwe:** Special and differential treatment in agriculture – "establishing the objectives"

Export subsidies

- **Antigua and Barbuda, Barbados, Belize, the Commonwealth of Dominica, Grenada, Guyana, Jamaica, St Kitts and Nevis, St Vincent and the Grenadines, Trinidad and Tobago, and Suriname:** Domestic support and export competition
- **Cairns Group:** Export subsidies
- **Israel:** Export subsidies
- **Japan:** Export enhancing measures – export subsidies
- **Japan:** Questions on export subsidies
- **Nicaragua, Pakistan, Panama, Peru, Venezuela and Zimbabwe:** Export subsidies
- **Switzerland:** Export subsidies: modalities for further commitments to reduce export subsidies

Export credits

- **Australia:** Export credits
- **EU:** Export credits
- **Japan:** Export enhancing measures – export credits
- **Japan:** Questions on export credits
- **United States:** Export credit guarantee programmes

State trading enterprises

- **Japan:** State trading enterprises
- **Japan:** Questions on state trading enterprises
- **United States:** Disciplines on export state trading enterprises
- **United States:** Disciplines on import state trading enterprises

Export restrictions

- **Japan:** Export prohibitions and restrictions
- **Japan:** Questions on export restrictions
- **United States:** Disciplines on export taxes

Food security

- **Cuba, Dominican Republic, El Salvador, Honduras, Kenya, Nicaragua, Nigeria, Pakistan, Peru, Sri Lanka, Venezuela and Zimbabwe:** Food security
- **Japan:** International environment surrounding agricultural trade and food security
- **Japan:** Questions on food security
- **Peru:** Food security
- **United States:** Food security

Food safety

- **EU:** Food safety
- **Japan:** Consumers' concern on food safety and quality

Rural development

- **Cuba, Dominican Republic, El Salvador, Honduras, Kenya, Nicaragua, Pakistan, Sri Lanka, and Zimbabwe:** Rural development
- **Cyprus:** Rural development
- **Japan:** Importance of agriculture in rural areas (rural development)
- **Japan:** Questions on rural development
- **Norway:** Rural development

Geographical indications

- **EU:** Geographical indications
- **Japan:** Questions on geographical indications
- **Switzerland:** Geographical indications and agriculture

Green Box

- **Argentina:** Green Box measures: approach for a work programme
- **Cyprus:** Green Box
- **Cuba, Dominican Republic, El Salvador, Honduras, Kenya, Nicaragua, Pakistan, Sri Lanka and Zimbabwe:** Green Box
- **EU:** Green Box
- **Japan:** Domestic support (Green Box)
- **Japan:** Questions on Green Box
- **Namibia:** Green Box measures

Blue Box

- **Cairns Group:** Blue Box
- **Japan:** Questions on Blue Box

Special agricultural safeguard

- **Argentina, Bolivia, Paraguay, the Philippines and Thailand:** Special and differential treatment for developing countries: transitional instruments to expeditiously countervail subsidized imports (SDCM)
- **Cuba, Dominican Republic, El Salvador, Honduras, Kenya, Nicaragua, Pakistan, Senegal, Sri Lanka and Zimbabwe:** "An appropriate safeguard mechanism for developing countries"
- **Japan:** A new safeguard measure
- **Japan:** Questions on special agricultural safeguard
- **Namibia:** Special agricultural safeguard
- **Norway:** Special safeguards
- **Switzerland:** WTO Agreement on Agriculture — special safeguard

Environment

- **Cairns Group:** Environment
- **Japan:** The role of agriculture to provide environmental benefits
- **Norway:** Environment
- **Japan:** Questions on environment

Trade preferences

- **African Group:** Trade preferences
- **EU:** Tariff preferences for developing countries
- **Namibia:** Trade preferences
- **Paraguay:** Trade preferences — Appropriate tariff treatment for the exports of landlocked countries
- **Swaziland:** Trade preferences
- **Japan:** Questions on trade preferences

Food aid

- **7 developing countries (Cuba, Egypt, Grenada, Mauritius, Nigeria, Sri Lanka and Uganda):** Food aid
- **EU:** Food aid
- **MERCOSUR (Argentina, Brazil, Paraguay, Uruguay):** Food aid
- **Namibia:** Food aid

- **Norway:** Food aid
- **Japan:** A possible framework of International food stockholding
- **Japan:** Questions on food aid

Consumer information and labelling

- **EU:** Consumer information and labelling
- **Switzerland:** Consumer information and labelling
- **Switzerland:** Welfare of breeding cattle — example of a non-trade concern
- **Japan:** Questions on consumer information and labelling

Sectoral initiatives

- **Canada:** Sectoral initiatives

Development Box

- **9 developing countries (Cuba, Dominican Rep, El Salvador, Honduras, Kenya, Nigeria, Pakistan, Sri Lanka and Zimbabwe):** The Development Box
- **Japan:** Questions on Development Box
- **Mauritius:** Development Box
- **Switzerland:** Building a Development Box in the WTO rules on agriculture?

Single commodity producers

- **African Group:** Proposal on trade in agricultural commodities and the concerns of single commodity exporters (SCEs)
- **Japan:** Questions on single commodity producers/small island developing countries
- **Mauritius:** Single commodity exporters (SCEs)

Small island developing countries

- **Dominica, Fiji, Jamaica, Madagascar, Mauritius, Papua New Guinea, St Lucia, St Vincent and the Grenadines, and Trinidad and Tobago:** Small island developing states
- **Mauritius:** Small island developing states

Special and differential treatment

- **African Group, Cuba, Dominican Republic, El Salvador, Honduras, Kenya, Pakistan, and Sri Lanka:** Special and differential provisions
- **Bolivia:** Special and differential treatment: alternative crops
- **CARICOM:** Special and differential treatment
- **Colombia:** Special and differential treatment and the substitution of illicit crops
- **India:** Special and differential treatment for developing countries in the Agreement on Agriculture
- **Mauritius:** Special and differential treatment

Additional issues

- **CARICOM:** Non-trade concerns
- **CARICOM:** Food aid
- **CARICOM:** Green Box subsidies
- **CARICOM:** A special agricultural safeguard mechanism for developing countries and small developing economies
- **CARICOM:** WTO negotiations on agriculture — trade preferences
- **Mauritius:** Green Box
- **New Zealand:** Tariff quota expansion

Technical submissions received during Phase 2

You can download these at: http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm

-
- | | |
|------------------|--|
| 1. G/AG/NG/W/186 | Mauritius: Second International Conference on Non-Trade Concerns — 20 July 2001 |
| 2. G/AG/NG/W/187 | Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovak Republic: Aspects of non-trade concerns in (post) transition economies — 5 December 2001 |
-

The Cancún 'framework' proposals

Before Cancún:

- **US-EU:** JOB(03)/157 (restricted), 13 August 2003
- **G-20 (Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, El Salvador, Guatemala, India, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Venezuela):** JOB(03)/162 (restricted), 20 August 2003; re-circulated as WT/MIN(03)/W6 including Add.1 and Add.2, 30 September 2003
- **Dominican Republic, Honduras, Nicaragua and Panama:** JOB(03)/164 (restricted), 20 August 2003; re-circulated as WT/MIN(03)/W/10, 5 September 2003
- **Japan:** JOB(03)/165 (restricted), 20 August 2003

- **Bulgaria, Chinese Taipei, Iceland, Rep of Korea, Liechtenstein, Switzerland:** JOB(03)/167 (restricted), 20 August 2003
- **Norway:** JOB(03)/167 (restricted), 20 August 2003
- **Kenya:** on special and differential treatment, JOB(03)/175 (restricted), 25 August 2003

Following consultations, **General Council chairperson Carlos Pérez del Castillo** included a draft "framework" on agriculture as Annex A of his draft Ministerial declaration, JOB(03)/150/Rev.1, 24 August 2003.

During Cancún, the following members proposed amendments to the framework in the Pérez del Castillo draft:

- **Caricom:** WT/MIN(03)/W/11, 8 September 2003
- **Bulgaria, Chinese Taipei, Iceland, Israel, Japan, Korea, Liechtenstein, Norway, Switzerland:** WT/MIN(03)/W/12, 10 September 2003
- **Norway:** WT/MIN(03)/W/15, 12 September 2003
- **Israel:** WT/MIN(03)/W/16, 12 September 2003
- **African Union, ACP, least-developed countries:** WT/MIN(03)/W/17, 12 September 2003

Further negotiations in Cancún led to a second revision in the "**Derbez text**", JOB(03)/150/Rev.2, 13 September 2003.

Groups

Phase 1: countries, alliances and proposals

Members that submitted proposals and technical papers in Phase 1, with an indication of groupings and alignments based on joint-authorship

Details at: http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm

1. Albania (transition: domestic support)
2. Angola (African Group)
3. Antigua and Barbuda (Caricom)
4. Argentina (Cairns Group + MERCOSUR)
5. Australia (Cairns Group)
6. Barbados (Caricom + small island developing states + non-trade concerns)
7. Belize (Caricom)
8. Benin (African Group)
9. Bolivia (Cairns Group + "MERCOSUR+" 1, 2)
10. Botswana (African Group)
11. Brazil (Cairns Group + MERCOSUR)
12. Brunei (ASEAN)
13. Bulgaria (transition: domestic support, market access)
14. Burkina Faso (own proposal + African Group)
15. Burundi (own proposal + African Group + non-trade concerns)
16. Cameroon (African Group)
17. Canada (Cairns Group + own proposal on market access, supplementary proposal on domestic support)
18. Central African Republic (African Group)
19. Chad (African Group)
20. Chile (Cairns Group + "MERCOSUR+" 1, 2)
21. Colombia (Cairns Group + "MERCOSUR+" 2)
22. Congo (African Group)
23. Congo, Democratic Rep (own proposal + African Group)
24. Costa Rica (Cairns Group + "MERCOSUR+" 1)
25. Côte d'Ivoire (African Group)
26. Croatia (transition: domestic support, market access)
27. Cuba (developing country grouping 1, 2, 3 + small island developing states)
28. Cyprus (non-trade concerns)
29. Czech Republic (transition: domestic support, market access + non-trade concerns)
30. Djibouti (African Group)
31. Dominica (small island developing states + Caricom)
32. Dominican Republic (developing country grouping 1, 2, 3)
33. Egypt (own proposal + African Group)
34. El Salvador (developing country grouping 1, 2, 3)
35. Estonia (transition: market access + non-trade concerns)
- 36–51: EU (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, UK) (own proposals + non-trade concerns)
52. Fiji (non-trade concerns)
53. Gabon (African Group)
54. The Gambia (African Group)
55. Georgia (transition: domestic support, market access)
56. Ghana (African Group)
57. Grenada (Caricom)
58. Guatemala (Cairns Group)
59. Guinea (African Group)
60. Guinea Bissau (African Group)
61. Guyana (Caricom)
62. Haiti (developing country grouping 1, 2, 3)
63. Honduras (developing country grouping 1, 2, 3)
64. Hungary (transition: domestic support, market access)
65. Iceland (non-trade concerns)
66. India (own proposal + developing country grouping 3)
67. Indonesia (Cairns Group + ASEAN)
68. Israel (non-trade concerns)
69. Jamaica (small island developing states + Caricom)
70. Japan (own proposal + non-trade concerns)
71. Jordan
72. Kenya (own proposal + developing country grouping 1, 2, 3 + African Group)
73. Korea, Republic (own proposal + non-trade concerns)
74. Kyrgyz Republic (transition: domestic support, market access)
75. Latvia (transition: domestic support, market access + non-trade concerns)
76. Lesotho (African Group)
77. Liechtenstein (non-trade concerns)
78. Lithuania (transition: domestic support, market access) (Joined WTO on 31 May 2001)
79. Madagascar (African Group)
80. Malawi (African Group)
81. Malaysia (Cairns Group + ASEAN)
82. Mali (own proposal + African Group)
83. Malta (non-trade concerns)
84. Mauritania (African Group)
85. Mauritius (own proposal + small island developing states + non-trade concerns + African Group)
86. Mexico
87. Mongolia (transition: domestic support + non-trade concerns)
88. Morocco (own proposal + African Group)
89. Mozambique (African Group)
90. Myanmar (ASEAN)
91. Namibia (own proposal + African Group)
92. New Zealand (Cairns Group)
93. Nicaragua (developing country grouping 1, 2)
94. Niger (African Group)
95. Nigeria (own proposal + developing country grouping 3 + African Group)
96. Norway (own proposal + non-trade concerns)
97. Pakistan (developing country grouping 1, 2, 3)
98. Paraguay (Cairns Group + MERCOSUR)
99. Philippines (Cairns Group + ASEAN)
100. Poland (own proposal + non-trade concerns)
101. Romania (non-trade concerns)
102. Rwanda (African Group)
103. Saint Kitts and Saint Nevis (small island developing states + Caricom)

104. Saint Lucia (Caricom + non-trade concerns)
 105. Saint Vincent and the Grenadines (small island developing states + Caricom)
 106. Sénégal (own proposal + African Group)
 107. Sierra Leone (African Group)
 108. Singapore (ASEAN)
 109. Slovak Republic (transition: domestic support, market access + non-trade concerns)
 110. Slovenia (transition: domestic support, market access + non-trade concerns)
 111. South Africa (Cairns Group + African Group)
 112. Sri Lanka (developing country grouping 1, 2, 3)
 113. Suriname (Caricom)
 114. Swaziland (own proposal + African Group)
 115. Switzerland (own proposal + non-trade concerns)
 116. Tanzania (African Group)
 117. Thailand (Cairns Group + ASEAN)
 118. Trinidad and Tobago (small island developing states + non-trade concerns)
 119. Togo (African Group)
 120. Tunisia (African Group)
 121. Turkey
 122. Uganda (developing country grouping 1, 2, 3 + African Group)
 123. United States
 124. Uruguay (Cairns Group + MERCOSUR)
 125. Zambia (African Group)
 126. Zimbabwe (developing country grouping 1, 2, 3 + African Group)

Key to the groups

African Group (41 countries):

Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo, Congo (Democratic Republic), Côte d'Ivoire, Djibouti, Egypt, Gabon, The Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe

African Union/Group, ACP, least-developed countries (also known as "G-90", but with 64 WTO members): Angola, Antigua and Barbuda, Bangladesh, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Congo, Côte d'Ivoire, Cuba, Democratic Republic of the Congo, Djibouti, Dominica, Dominican Republic, Egypt, Fiji, Gabon, The Gambia, Ghana, Grenada, Guinea (Conakry), Guinea Bissau, Guyana, Haiti, Jamaica, Kenya, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mauritius, Morocco, Mozambique, Myanmar, Namibia, Nepal, Niger, Nigeria, Papua New Guinea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sierra Leone, Solomon Islands, South Africa, Suriname, Swaziland, Tanzania, Togo, Trinidad and Tobago, Tunisia, Uganda, Zambia, Zimbabwe

ASEAN (members of WTO):

Brunei, Cambodia (from October 2004), Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand

Cairns Group (G/AG/NG/W/11, 35, 54, 93):

Argentina, Australia, Bolivia, Brazil, Canada (G/AG/NG/W/11, 35, 93), Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand, Uruguay

Caricom:

Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Trinidad and Tobago, Suriname

"Central American grouping": Dominican Republic, Honduras, Nicaragua and Panama, sponsored paper WT/MIN(03)/W/10 at the Cancún Ministerial Conference

"Developing country grouping" = joint sponsors of:

(1) G/AG/NG/W/13 (S&D and development box): Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka, El Salvador

(2) G/AG/NG/W/14 (Green Box): Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka, El Salvador

(3) G/AG/NG/W/37 + Corr.1 (market access): Cuba, Dominican Republic, El Salvador, Haiti, Honduras, Kenya, India, Nigeria, Pakistan, Sri Lanka, Uganda, Zimbabwe

"European-East Asian grouping" = joint sponsors of:

(1) JOB(03)/167: Bulgaria, Chinese Taipei, Iceland, Rep of Korea, Liechtenstein, Switzerland

(2) WT/MIN(03)/W/12: Bulgaria, Chinese Taipei, Iceland, Israel, Japan, Korea, Liechtenstein, Norway, Switzerland (See G-10)

G-10:

Bulgaria, Iceland, Israel, Japan, Korea, Republic of, Liechtenstein, Mauritius, Norway, Switzerland, Chinese Taipei (See "European-East Asian grouping")

G-20:

(1) WT/MIN(03)/W6/Add.2: Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, El Salvador, Guatemala, India, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Venezuela

(2) WT/L/559 (countries participating in the 11–12 December 2003 G-20 Ministerial Meeting): Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Venezuela, Zimbabwe

G-33 (understood to comprise 42 countries):

Antigua and Barbuda, Barbados, Belize, Benin, Botswana, China, Congo, Côte d'Ivoire, Cuba, Dominican Republic, Grenada, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Mauritius, Madagascar, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, Senegal, St Kitts and Nevis, St Lucia, St Vincent & the Grenadines, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia, Zimbabwe

G-90 (see African Union/Group, ACP, least-developed countries)**MERCOSUR:**

Argentina, Brazil, Paraguay, Uruguay

"**MERCOSUR+**" = joint sponsors of:

(1) G/AG/NG/W/38: MERCOSUR + Bolivia, Chile, Costa Rica

(2) G/AG/NG/W/104: MERCOSUR + Bolivia, Chile, Colombia

MERCOSUR, Bolivia, Chile, Costa Rica, Guatemala, India and Malaysia sponsored proposal

G/AG/NG/W/139 on export credits

"**Non-trade concerns**" = 38 countries that sponsored note G/AG/NG/W/36/Rev.1 (conference papers on non-trade concerns):

Barbados, Burundi, Cyprus, Czech Republic, Estonia, EU, Fiji, Iceland, Israel, Japan, Korea, Latvia, Liechtenstein, Malta, Mauritius, Mongolia, Norway, Poland, Romania, St Lucia, Slovak Republic, Slovenia, Switzerland, Trinidad and Tobago

Recent new members (RAMS or recently acceded members): Albania, Croatia, Georgia, Jordan, Moldova and Oman sponsored unofficial paper JOB(03)/170**"Small island developing states" (SIDS):**

Barbados, Cuba, Dominica, Jamaica, Mauritius, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Trinidad and Tobago

"**Transition**" = joint sponsors of:

(1) G/AG/NG/W/56 (domestic support): Albania, Bulgaria, Croatia, the Czech Republic, Georgia, Hungary, the Kyrgyz Republic, Latvia, Lithuania, Mongolia, Slovak Republic, Slovenia

(2) G/AG/NG/W/57 (market access): Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Kyrgyz Republic, Latvia, Slovak Republic, Slovenia, Croatia, Lithuania

DATA

World trade in agricultural products, 2003

Value \$bn	674
Annual change %	
1980–85	–2
1985–90	9
1990–95	7
1995–2000	–1
2001	0
2002	6
2003	15
Share in world merchandise trade %	9.2
Share in world exports of primary products %	41.2

Source: WTO International Trade Statistics 2004, table IV.3, includes trade between EU members

Top 15 agricultural exporters and importers, 2003

	Value \$bn	Share in world %		Value \$bn	Share in world %
Exporters			Importers		
EU members (15)	284.14	42.2	EU members (15)	308.87	42.8
EU to rest of world	73.38	10.9	EU from rest of world	98.11	13.6
United States	76.24	11.3	United States	77.27	10.7
Canada	33.69	5.0	Japan	58.46	8.1
Brazil	24.21	3.6	China	30.48	4.2
China	22.16	3.3	Canada ^c	18.02	2.5
Australia	16.34	2.4	Korea, Rep. of	15.56	2.2
Thailand ^a	15.08	2.2	Mexico	13.85	1.9
Argentina ^b	12.14	2.1	Russian Fed. ^a	13.73	1.9
Malaysia	11.06	1.6	Hong Kong, China	10.81	–
Mexico	9.98	1.5	retained imports	6.47	0.9
			Taipei, Chinese	7.96	1.1
Indonesia	9.94	1.5	Switzerland	7.12	1.0
New Zealand	9.60	1.4	Saudi Arabia	6.26	0.9
Russian Fed. ^a	9.37	1.4	Thailand ^a	5.72	0.8
Chile	7.47	1.1	Indonesia	5.44	0.8
India ^a	7.03	1.2	Turkey	5.22	0.7
Above 15	548.44	81.8	Above 15	580.44	80.4

Source: WTO International Trade Statistics 2004, table IV.8. "EU members" includes trade between EU members

^a Includes Secretariat estimates

^b 2002 instead of 2003

^c Imports are valued f.o.b.

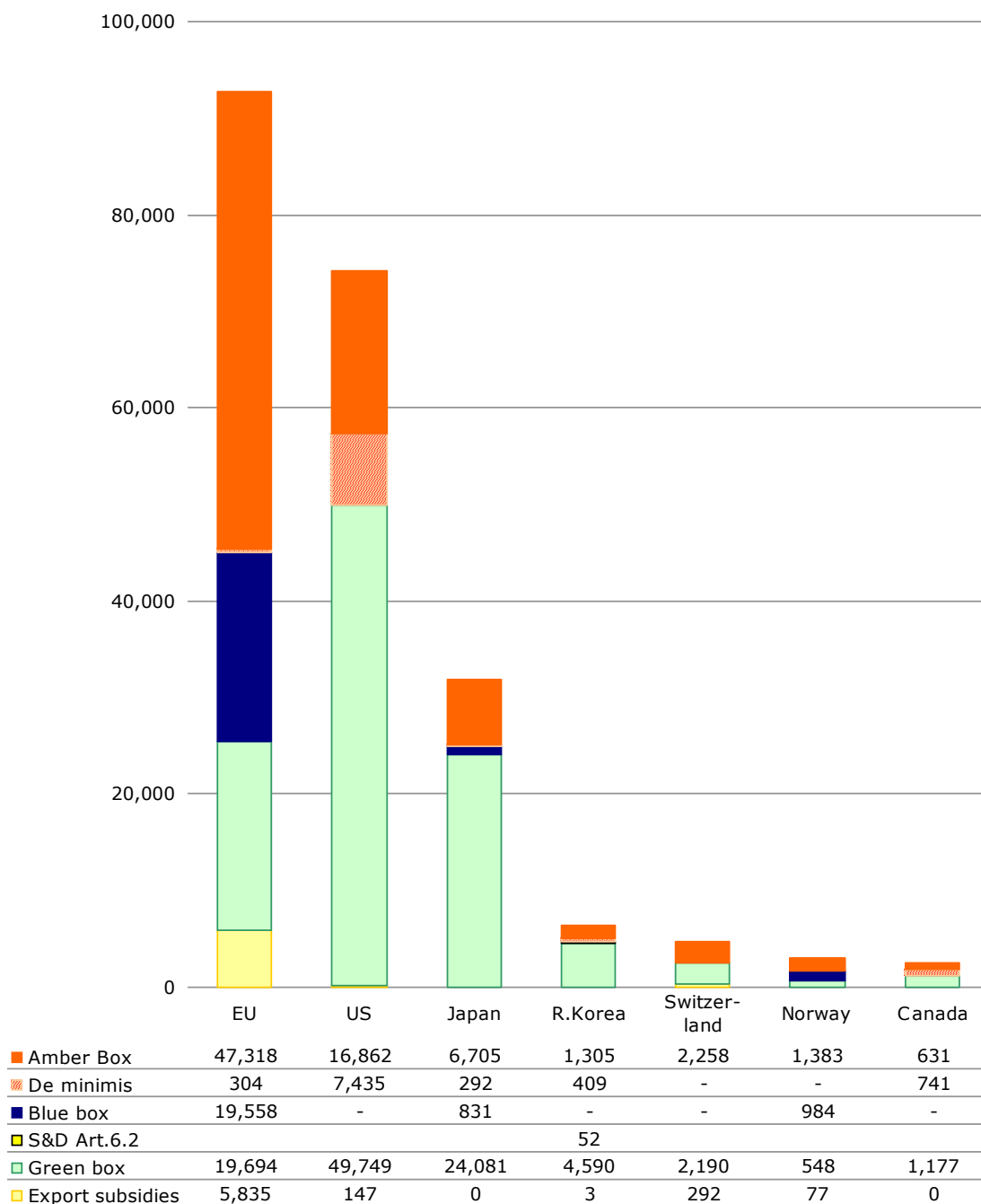
Agricultural products' share in trade, by region, 2003

	Exports	Imports		Exports	Imports
Share in total merchandise trade, %			Share in primary products trade, %		
World	9.2	9.2	World	41.2	41.2
North America	11.0	6.2	North America	56.6	32.2
Latin America	19.8	9.7	Latin America	47.2	44.0
Western Europe	9.6	10.4	Western Europe	57.6	48.3
C./E. Europe/Baltic States/CIS	8.8	10.1	C./E. Europe/Baltic States/CIS	22.7	47.6
Africa	13.9	15.9	Africa	20.2	59.4
Middle East	3.4	12.4	Middle East	4.4	68.0
Asia	6.3	8.9	Asia	46.3	33.2

Source: WTO International Trade Statistics 2004, table IV.5, includes trade between EU members

How much do they spend?

Notified domestic support, 1999, and export subsidies, 1998. US\$ million



Source: member governments' notifications to WTO

END