

Agriculture Negotiations at the WTO

'Framework Phase' Update Report

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International Environment House

13 chemin des Anémones, 1219 Geneva, Switzerland

Tel: +41 22 917 8492 Fax: +41 22 917 8093

E-mail: ictsd@ictsd.ch Internet: www.ictsd.org

Executive Director:	Ricardo Meléndez-Ortiz
Programmes Director:	Christophe Bellmann
Project Manager:	Alexander Werth
Project Assistants:	Daniel Dubas and Sarah Rogers

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AGRICULTURE NEGOTIATIONS AT THE WTO

"Agriculture Negotiations at the WTO" is a series of quarterly intelligence reports produced by ICTSD since 2000. The series outlines emerging themes, debates and overall progress of the WTO negotiations in agriculture, including detailed assessment of negotiating proposals, draft modalities and other negotiating frameworks. The aim of these reports is to provide stakeholders in agriculture trade and sustainable development with concise, user-friendly description and analysis of the current developments in the often very complex WTO negotiating process in agriculture. The reports also look ahead at upcoming issues in connection with the negotiations in agriculture so as to provide relevant stakeholders with an opportunity to respond to emerging themes in due time. Additionally other international processes outside the WTO context, which are interrelated to the multilateral agriculture trade negotiations, are addressed and highlighted as appropriate.

The methodology used in compiling these reports combines comprehensive in-house analytical work, on-site monitoring of key events, as well as extensive outreach to country delegates based in Geneva and representatives of local non-governmental organisations.

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CONTENTS

	Executive Summary	1
1.	Context Setting	3
	1.1 Background	3
	1.2 The Relaunching WTO Agriculture Negotiations	3
2.	New Proposals and Initiatives	5
	2.1 EC	5
	2.2 G-20	6
	2.3 G-33	7
	2.4 G-10	7
	2.5 G-90	8
3.	Dispute Settlement	10
	3.1 Interim Report on Cotton Subsidies Released	10
	3.2 EC sugar dispute	10
4.	The Cotton Initiative	12
5.	Looking Ahead	13
	5.1 Framework Deal on Agriculture in July?	13
	5.2 Will Members Generate a Specific Text?	14
	End Notes	15
	Appendix 1: Country Groupings Synopsis	19
	Appendix 2: Calendar	20
	Appendix 3: Letter Of May 9th From Lamy and Fischler	21
	Appendix 4: New G-20 Market Access Proposal	25
	Appendix 5: Quick Reference Guide	28

EXECUTIVE SUMMARY

This report, issued in June 2004, seeks to summarise recent developments from March through May 2004. The WTO special (negotiating) session of the Committee on Agriculture (CoA) resumed negotiations in March 2004, with New Zealand's Timothy Groser as its new Chair. Members have agreed on a mid-summer deadline for the conclusion of a 'framework' for further negotiations, which would not contain numbers, but only set some benchmarks for the future negotiating 'modalities'.

Altogether three mostly informal 'agriculture weeks' have taken place in Geneva, with a number of smaller ministerial-level meetings held in various capitals. In terms of the negotiations itself, the last weeks saw an important new initiative from the EC, as well the three new informal proposals by the G-20, G-33 and G-10, most of which showed a certain degree of new leadership, engagement and signs of flexibility. Concretely, there now appears to be an emerging consensus for agreeing on the complete elimination of export subsidies and similar export measures. Some progress has also been made on the domestic support pillar. Market access, however, remains a highly controversial issue, and there is strong disagreement amongst Members and groups of Members on the different proposals. Another important element is the new EC proposal that "particularly weak and vulnerable" countries should get the "round for free", a suggestion that could not only split certain developing country groupings, but also delay the process, as it would be very difficult to implement. But, notably, also the more advanced (G-20) developing countries have now started to signal increasing understanding for the specific concerns of particularly weak developing countries.

Whether Members will be able to agree on a negotiating framework remains to be seen. It seems likely that any language eventually adopted will be rather unspecific, especially in the area of market access. Otherwise, it is highly unlikely that Members will resolve all the remaining contentious issues within a couple of weeks.

This report is divided into five sections:

- Section 1 is an introduction to the recent agriculture talks in the larger context of the current WTO Doha Round negotiations.
- Section 2 summarises recent proposals and initiatives by key Members and Member groups.
- Section 3 offers a brief analysis of two fundamentally important dispute settlement proceedings, which are both directed against developed countries' domestic support schemes.
- Section 4 gives an update of the cotton debate, which was initiated by four West and Central African countries prior to Cancun, in response to steadily falling world market prices for cotton.

- Section 5 contains a look-ahead section which attempts to make a brief forecast on relevant developments in the near future, e.g. considering what elements might be included in a future 'framework', and in which format.

ICTSD, June 2004

1. CONTEXT SETTING

1.1 Background

Under the current trade negotiations agenda, the deadline for a successful conclusion of the Doha Round in the single undertaking¹ mode is set for 1 January 2005. After the collapse of the Cancun Ministerial Conference (Cancun), this deadline will most likely be missed, and in order to finally move forward on the most contentious area, which is arguably agriculture, a

general consensus has emerged that a framework² text on modalities³ for the future agriculture negotiations should be agreed by the end of July. This framework should set out concepts and formulas, which would lead to fully-fledged negotiating modalities - including formulas, numbers and rules-based elements for reducing tariffs and subsidies - at a later stage.

1.2 The relaunched WTO agriculture negotiations

After the agriculture talks had come to a complete standstill following Cancun, an early 2004 consultation process amongst Members has injected new momentum into the negotiations.⁴ The WTO agriculture negotiation process has now formally been re-launched, and three special (negotiating) sessions, or 'agriculture weeks', of the Committee on Agriculture took place in Geneva in March, April and June.

The new Chair of the Committee on Agriculture (CoA) special (negotiating) session, New Zealand's Ambassador Tim Groser, has decided to hold the negotiations on a very informal basis, so as to enable direct and horizontal contacts among Members and Member groups. His new approach is thus a stark contrast to the rather 'chair-driven' approach under former CoA special session Chair Stuart Harbinson.

The CoA special session on 22-26 March

The first post-Cancun CoA special session - consisting of informal talks and several short informal meetings - primarily dealt with export competition and domestic support issues. At the meeting, some major dissensions re-appeared below the surface, and on the first days of negotiations, the tone proved not to be overly constructive. The members of the G-20 group of developing countries⁵ and the Cairns Group of agricultural exporters⁶ linked the opening of their agricultural markets to ambitious results in the subsidies

negotiations. Others Members, including the US, wanted only to become concrete about disciplines on export subsidies and domestic support if developing countries made commitments to significantly cut their agricultural tariffs. However, as the week progressed, the tone of the meetings improved and Members reportedly started to listen to each other more seriously. At the same time, the discussions had not yet entered a 'problem-solving' mode, and market access was still very contentious.

The CoA special session on 20-23 April

During the second 'agriculture week' of the CoA special session, the talks focussed primarily on market access. The other two pillars⁷ remained at the margins of the meeting, with the EC seeking clarification on the 'parallelism' issue, i.e. not only focussing on European export subsidies, but tackling effectively all trade-distorting export competition measures, including food aid, export credit and guarantee programmes⁸, as well

as state trading enterprises (STE)⁹. Generally, the mood of the week was described as being positive. Nevertheless, major divergences persisted on the market access issue, and Chair Groser expressed some disappointment over the outcome, saying that his modest expectations had "not been met". Another trade source described the progress as being "minimal at best".

The CoA special session on 2-4 June

Of the three special sessions held so far in 2004, the most progress was reportedly made in the June session. Although there was no concrete agreement created during these negotiations, Chair Tim Groser said in his concluding remarks of the agriculture week that he saw a “demonstration of commitment” to reach a framework agreement by the end of July. Although he was positive about the increasing momentum, he warned that it was not strong enough yet, and Members would have to make a greater commitment to compromise if they want to meet the July deadline. Unlike in the previous post-Cancun negotiating sessions¹⁰, Groser played a more active role during this week. At the request of some Members, including the African Group, he met with individual Members and held small group consultations. Notably, there were also a number of proposals presented during this week; hardly any written contributions had been tabled at earlier meetings. Both the G-20 and G-33¹¹ presented papers largely focussing on market access¹², while the most

recent G-10¹³ proposal covered all three negotiating pillars. Previously, on 9 May, EC Trade Commissioner Pascal Lamy and Agriculture Commissioner Franz Fischler had circulated an important joint letter to Members in which they *inter alia* indicated the EC’s willingness to negotiate an end date for the total elimination of export subsidies.

In terms of progress, Groser stated that he could now draft a preamble and a section on domestic support which would reflect the “emerging convergence” and which would be “80 percent” correct. Also in regards to domestic support, Groser said it was time to drop the idea of “box shifting”¹⁴ as there was general consensus that the negotiations are about real subsidy cuts. In terms of export competition, there was now considerable momentum, even though there was nothing on paper. Market access, however, remained “by far the most difficult” issue.

Series of informal ‘mini’-ministerials

As a parallel negotiation track, different ‘micro’- or ‘mini’-ministerials were being held outside the ‘official’ negotiating process in Geneva. Created to encourage in-synch progress in the ‘political’ process, it was hoped that these informal ministerial-level meetings would contribute to a better understanding amongst key Members and Member groups. A ‘micro’-ministerial meeting took place in London on 30 April upon invitation of the US Trade Representative (USTR) Robert Zoellick, with EC’s Pascal Lamy and ministers from Brazil¹⁵, South Africa¹⁶, Mexico¹⁷ and Kenya¹⁸ participating. Notably, no G-10 Member had been invited to the meeting. The meeting, which was

reportedly “constructive and productive”, mainly focused on agricultural market access, but also on domestic support and export competition, as well as industrial tariffs, services, special and differential treatment (S&D) and the Singapore issues¹⁹. Moreover, two other mini-ministerial meetings were held in March on the sidelines of the OECD Forum in Paris. The first was held on 12 March and was attended by the EC, US, Brazil, India and Australia and the second meeting, to which 28 developed and developing WTO Members were invited, was held on March 14 and hosted by Mexico.²⁰ There was another ministerial-level meeting organised by the G-33 leader Indonesia in Jakarta on 24-27 May.

G-90 coordination meetings

African Union (AU) trade ministers met in Kigali, Rwanda from 27-28 May 2004. At the meeting, the AU ministers reviewed the current state of the Doha Round negotiations, and adopted a position paper, the Kigali Consensus on the post-Cancun Doha Work Programme, outlining the AU’s positions on many trade topics, including agriculture and the cotton initiative. On 3-4 June, ministerial representatives from 18 G-90²¹ countries met for a mini-ministerial in Georgetown, Guyana, to discuss a variety of trade issues under the

theme ‘Towards a Common Platform for Development and Prosperity.’ Chaired by the Guyana Minister of Foreign Trade and International Cooperation, Clement Rohee, the meeting was held as part of the G-90 preparations for the July WTO General Council meeting. The group adopted a set of political and operational texts with the aim of feeding them into consultative processes leading up to a G-90 ministerial-level meeting in Mauritius.

2. NEW PROPOSALS AND INITIATIVES

In Cancun, the two major stumbling blocks were the tariff-reduction formula and an end date for the elimination of export subsidies. Since Cancun, some progress has been made concerning the pillars of export competition and domestic support, but the Members remain extremely divided over possible outcomes on market access. As Chair Timothy Groser pointed out, market access is an area, where for the moment, “not even the outline of a possible basis for a political decision is evident”.²²

2.1 EC

In the Lamy and Fischler letter, very little new was said on market access. The letter reiterates the EC’s support of the ‘blended’ tariff reduction approach, and stresses maintaining the ‘necessary flexibility’ in regards to market access issues, especially in the context of developing countries’ sensitivities.

Earlier the EC had indicated that it was unhappy with the ambitious American proposal put forward in March, suggesting to limit the ‘Uruguay Round’ band to only 2-3 percent of all tariff lines for developed countries, and up to 10 percent for developing countries, leaving the rest for the ‘Swiss formula’ and ‘zero tariff’ bands. Rather, the EC demanded that the percentage of the ‘Uruguay Round’ band should at least “run into the double digits”. Moreover, the EC has been opposing mandatory Tariff Rate Quotas (TRQs) increases.

On export competition, the EC is now expressly supporting the emerging consensus on export subsidies, i.e. that the framework to be agreed would at least need to contain a commitment to negotiate an end date for the elimination of all export subsidies, with detailed modalities to be negotiated at a later stage. Previously, the EC had stuck to its original proposal to completely eliminate export subsidies only on ‘products of interest’ to developing countries.

However, attached to the new offer to agree on eliminating all export subsidies are several conditions. The EC demands “full parallelism on all forms of export competition including export credits, food aid and STEs” as well as serious clarifications on ‘parallelism’²³ before making any concrete commitments on export subsidy

Groser had also reminded Members earlier that they should be able to live with some ambiguity in the framework, provided it is consistent with the Doha Mandate which calls for “substantial improvements” in market access, “substantial reductions” in trade-distorting domestic support, and reductions “with a view to phasing out” export subsidies.

elimination. Furthermore, the EC makes “an acceptable outcome... on market access and domestic support” a precondition for moving on export subsidies.

Regarding domestic support, the EC is ready to commit to a “large reduction” in Amber Box support, as well as reductions and capping in Blue Box subsidies. In contrast, the EC wants Green Box support to remain exempt from reduction commitments. The Europeans are also seeking stronger rules which would prevent the transfer of subsidies from one box to another, thus guaranteeing the effective reduction of developed country farm expenditures. On the Blue Box, the EC is in favour of capping these subsidies to 5 percent²⁴, but opposes a subsequent reduction from this threshold.

The EC proposes to include quite strong S&D measures into the framework on agriculture. The European trade bloc suggests that least developed countries (LDCs) and “other weak and vulnerable developing countries in a similar situation - essentially the G-90”²⁵ - would not have to open their markets beyond existing commitments. Lamy said that it “is clear that the countries of the G-90 are not in a position to make a significant contribution”. These countries should therefore have a “round for free”; in terms of market access, they would only be asked to “increase their tariff bindings to a reasonable level”²⁶ in order to increase predictability for WTO trading partners. Moreover, both developed as well as advanced developing countries (presumably some G-20 countries) should provide G-90 countries with increased (presumably preferential) market access.

The European proposal earned a lot of support, particularly by LDCs. But it was also heavily criticised by other Members. The G-20, and namely some Latin American developing countries, were reportedly sceptical about the idea of creating new categories of

developing countries with very different levels of commitments, fearing that this could be “another attempt of the EC to split the developing country alliance”, a G-20 source stated.²⁷

2.2 G-20

Market access is by far the most controversial pillar of the current agriculture negotiations. As a central issue, there is a major disagreement about the methodology to be chosen for the framework on tariff reductions on agricultural commodities. In the recent talks, many Members expressed their disagreement with the ‘blended’ formula²⁸. As a response, the so-called ‘banded’ formula²⁹ re-appeared in the April talks, although there was no concrete proposal. Prompted by the EC and US to come up with a detailed counterproposal on the future reduction methodology, the G-20 released a new proposal on market access on 28 May. However, rather than proposing a specific new tariff reduction formula, the G-20 provided a list of basic concepts and principles that they deemed essential elements of a fair and equitable future formula.

According to the proposal, the essential elements of a future formula are:

- “progressivity”, i.e. a formula leading to higher tariffs being cut more than lower ones;
- “flexibility” for both developed and developing countries to take into account certain sensitivities, but which has to comply with the Doha mandate (calling for substantial improvements in market access) by opening domestic markets through both tariff reduction and new tariff rate quota commitments;
- “neutrality”, meaning the formula should not *per se* be biased for or against the tariff structures of certain Members³⁰; and
- “proportionality”, meaning less than full reciprocity between developed and developing countries along the lines of the approach used during the Uruguay Round.³¹

Notable new elements of the G-20 proposal as compared to the group’s September 2003 framework text are a call for a differentiation between tariff lines which

should be based on objective criteria³² (e.g. level of final bound tariff rates); the demand to cap tariffs, but - as repeatedly demanded by countries like Japan and Switzerland - “with possible exceptions for a very limited number of products”; and the provision that tariffs which are already bound at zero level should not be factored in the overall tariff reduction calculation.³³

The G-20’s new proposal also addresses S&D. The G-20 repeated its call to grant flexibility to developing countries to “designate, under conditions, as necessary³⁴, to be agreed in the negotiations, a percentage of tariff lines as Special Products”, and to establish a special safeguard mechanism (SSM). The group further reiterates its demand that developed countries provide duty-free access to a percentage of key imports from developing countries (such as tropical products). Moreover, the proposal presents new language on the treatment of LDCs, newly acceded Members and trade preferences.³⁵ Regarding LDCs, the proposal provides that this category of countries will be exempted from any tariff reduction commitments, that they should get duty- and quota-free access to developed country markets, and that LDCs should receive capacity-building support in order to tackle their supply constraints. The G-20 is also advocating that the following provisions should be granted to recently acceded Members: the flexibility to exempt certain sensitive products from reduction commitments; longer time frames; a grace period; and lower reduction commitments. On eroding trade preferences, the G-20 seeks to use as a reference paragraph 16 of the revised Harbinson draft modalities³⁶, which specifically deals with this issue.³⁷

There were mixed reactions to the G-20 proposal. In their preliminary comments, key Members such as the EC criticised the new G-20 market access proposal for its vague nature. However, Pascal Lamy, for his part, stated on 31 May that he found the proposal “to be constructive and a pretty good basis to start this week’s talks on agriculture in Geneva”. A developing country trade source commented the G-20 had taken the right

approach as it clearly defined the key parameters any future reduction formula would have to fulfil, thereby playing the ball back to the US and EC, which now has to show whether they are willing to engage in good faith discussions on the underlying principles of the reduction methodology. The proposal also received mixed reactions from the G-10. In an intervention on behalf of the G-10, Switzerland stated that the difficulties they

had experienced with the Cancun text were compounded by the G-20 proposal, and that there was no way this text would enable the G-10 countries to take into account their NTCs. However, this intervention also stated that the G-10 was impressed with the initiative of the G-20 in creating a first negotiating position, and also offered their support of the S&D measures included in the proposal.

2.3 G-33

Indonesia, the leader of the G-33, presented a new non-paper for the group on market access during the June agriculture week. A main feature of the paper is a list of general criteria for a future reduction formula similar to those presented by the G-20.

The G-33's new proposal exclusively focuses on market access. Concerning the tariff reduction methodology, the G-33 seeks a formula that "preserves the intended objectives" of the Doha "Development" Agenda instead of eroding them. Therefore, the G-33 reaffirms its support for a tariff reduction formula that is supportive of S&D. According to the G-33 submission, the tariff reduction formula itself is integral to preserving the intended objectives of S&D, because all elements of the framework would affect S&D. Rather than proposing a specific formula, the G-33 proposes a list of elements that are essential for an acceptable tariff reduction formula:

- Tariff reductions undertaken by developing countries should only represent a designated proportion of tariff reductions undertaken by developed countries.³⁸
- The formula must be fair, taking into account the different tariff structures of Members.³⁹
- No new commitments on TRQ, nor the expansion of current TRQs, for developing countries.

Although the G-33 stresses the importance of the tariff reduction formula in effectively implementing S&D, it also focuses heavily on SPs and a SSM. The June proposal does not introduce many new details on the SPs and SSM concepts, but rather restates what was said in earlier papers.⁴⁰

Members have very different views on the SP and SSM concepts. According to the Indonesian Ambassador Gusmardi Bustami, the US, the G-20 and the G-10 have in principle agreed on the idea. But the details, particularly on how many products a country can claim as a 'special product', or how these products are selected, would be part of the future negotiations. The US wants to keep the number of such products to a strict minimum. According to trade sources, the Cairns Group could live with a SSM as a temporary and limited transitional measure based on the actual Special Safeguard (SSG)⁴¹. On the other hand, it strongly opposes the idea of SPs, as this might lead to an 'institutionalisation' of a "new and potentially very trade-distorting concept with potentially more systemic implications on a long-term basis"⁴². For its part, the EC has traditionally been quite receptive to the SP and SSM concepts.

2.4 G-10

Switzerland distributed an intervention on behalf of the G-10 during the June agriculture week. The paper deals with market access, domestic support, export competition and non-trade concerns.

On the market access pillar, the G-10 indicates for the first time that it is willing to discuss various types of

tariff reduction formulas.⁴³ But although the group is demonstrating new flexibility, it still wants the Uruguay Round formula to be the main component of whatever formula is agreed upon, and it says it could only agree to a formula which would meet the particular concerns and sensitivities of its members. In the new submission, the G-10 also reaffirms its opposition to tariff capping

and TRQ expansion other than “on a case by case basis”.

Only little has changed in the G-10’s position on **domestic support**. The group reiterates its support for the greater reduction of more trade-distorting measures. It supports a substantial reduction in Amber Box subsidies, no cap on Green Box spending, and it is ready to discuss disciplines on the Blue Box.

With regards to **export competition**, the G-10 is also supportive of phasing out all forms of export subsidies, but like the EC, the G-10 attaches conditions to this proposal. In order to eliminate export subsidies, the G-10 needs assurances that:

- its “concerns with respect to market access, domestic support and NTCs are fully taken into account”; and

- “there is full parallelism on all forms of export subsidies, including export credits, food aid and STEs”.

The G-10 continues to support the integration of **non-trade concerns** into all aspects of the agreement, especially in the context of improving rules and disciplines. In a previous statement on behalf of the G-10, Switzerland had pointed out that Members “should find a coexistence between an agri-business type of agriculture and the non-competitive agriculture of small farmers”. It had also reminded Members that the Doha mandate contained both a ‘liberalisation road’ and a ‘safeguards road’ - as articulated in the recognition of non-trade concerns - concerned that some countries were merely focusing on the liberalisation track.

2.5 G-90

The G-90, which consists of the African Union (AU) countries, as well as the African, Caribbean and Pacific (ACP) and the LDC groups, is working towards a new position on agriculture, but the new proposal is not expected to be completed before the G-90 ministerial-level meeting in Mauritius in July. Two important documents which have been produced to be fed into the consultative process in the lead-up to the Mauritius meeting are: the Kigali Consensus adopted by AU trade ministers; as well as the Georgetown Consensus adopted by a group of G-90 countries at a mini-ministerial meeting in Guyana.

The **Kigali Consensus** on the Post-Cancun Doha Work Programme covers many different issues, but one theme remains constant throughout the proposal: all current and future WTO negotiations must fully take into account the development needs and concerns of Africa. Therefore, any agriculture framework should be written to allow African countries to pursue agricultural policies that are supportive of their development goals, poverty reduction strategy, food security and livelihood concerns. Many of the specific recommendations of this statement are quite similar to the ones contained in the consolidated G-90 proposal for the Cancun Ministerial Conference (Consolidated Proposal).⁴⁴ Both documents support negotiations that are balanced and equitable in

all three pillars and encourage the incorporation of S&D into all elements of the framework.⁴⁵ However, the AU now states as a guiding principle of its members to call for “binding, precise and effective” S&D. This marks a stark contrast to the rather general appeals for S&D that were present in past proposals. The following sections will highlight several more of the differences between the AU position paper and the paper this group supported in Cancun.

Under the **market access** pillar, the AU calls for realistic, flexible and simplified rules of origin for products originating from LDCs. They also suggest developing more simplified and transparent TRQs that provide improved and measurable market access benefits to African countries. In regards to tariff peaks and tariff escalation, the AU suggests taking the interests of preference receiving countries into consideration.

On **domestic support**, the AU drops the proposal for capping Green Box subsidies. Instead of capping, it suggests the development of tighter Green Box disciplines through *inter alia* notification, surveillance and monitoring. Moreover, AU countries propose disciplines to prevent Members from transferring subsidies between and within⁴⁶ boxes.

Under **export competition**, the AU calls for a commitment to phase out all forms of export subsidies by a specific date.⁴⁷ Presumably this is in response to the EC's new commitment to eliminating export subsidies.

The **Georgetown Consensus** reportedly draws largely on elements set out in the Kigali Consensus. However, one additional element is that participants of the G-90 ministerial in Guyana have reportedly responded to

some extent positively to the initiative launched by the EC to give the G-90 group the "round for free". According to sources, participants of the meeting supported the idea that G-90 members should be exempted from any tariff reduction commitment, as well as the EC proposal that also advanced developing countries should provide particularly weak and vulnerable countries with duty- and quota-free market access.

3. DISPUTE SETTLEMENT

In the field of dispute settlement on agricultural issues, two major panel proceedings are currently in the focus. The first is targeting the US's cotton subsidies, and the second challenging the EC sugar regime. Both are targeting developed country subsidy regimes, and were initiated at a strategic moment of the negotiations.

Should these rulings finally turn out to be in favour of the complainants - mostly developing countries - they might win precedents which are likely to have significant implications for the ongoing agriculture negotiations.

3.1 Interim Report on Cotton Subsidies Released

In the cotton subsidy challenge brought before a Dispute Settlement Body (DSB) panel by Brazil against the US, an important interim decision was released on 26 April 2004, finding that US cotton subsidy schemes illegally distort world prices. Although the report is confidential and presented only to complainants and third parties, observers speculate that the panel has agreed with Brazil's argumentation on the most crucial points of the dispute. The interim ruling is yet to be confirmed by the panel through its final ruling, but the final report is not likely to differ a lot from the interim version. Therefore, the US has expressed its intention to appeal the final ruling, which will probably be released on 18 June. In the case of an appeal, the final Appellate Body ruling cannot be expected before the end of 2004.

The central complaint in Brazil's claim is that direct payments to US cotton farmers from 1999-2001 under the 1996 Farm Bill and emergency supplemental appropriations bills⁴⁸, as well as those authorised in the 2002 Farm Bill, contravene WTO rules under the Agreement on Agriculture (AoA) and the Agreement on Subsidies and Countervailing Measures (SCM agreement). Brazil argues that the US is responsible for bringing down world cotton prices, consequently causing harm to farmers in many developing countries, while increasing the US share of the global cotton market.⁴⁹

The US countered this allegation by arguing that its counter-cyclical payments are not 'commodity-specific' Amber Box measures, and should therefore qualify as Green Box support and be excluded from the calculations of the US AMS.⁵⁰ The US also takes the view that without its counter-cyclical payments, its cotton subsidies remained under the 1992-level cap⁵¹, and that its subsidy scheme was not encouraging overproduction.

Generally, the decision has been approved by several civil society organisations and cotton-producing and -exporting countries. This is especially the case for Benin and Chad, which are third parties to the case and had, along with two other West African countries, called for the end of cotton subsidies through the so-called 'Cotton Initiative' that was launched prior to the WTO Fifth Ministerial Conference last year.⁵² On the other hand, the US and the EC have played down the importance of the ruling. A US spokesman stated that the decision would have "no immediate impact" on the agriculture negotiations. Nevertheless, most observers of the WTO negotiations are attaching much importance to the interim ruling, expecting that it could establish a precedent which explicitly recognises negative impacts of developed countries' agricultural support schemes on developing countries, as well as categorising certain subsidy schemes as being illegal under current WTO provisions.⁵³

3.2 EC sugar dispute

The second major complaint against domestic support regimes is a case brought before a panel against the EC sugar regime.

Panel proceedings are underway, and both parties have presented their submissions. The most recent hearing of

the panel took place on 10-14 May, and a ruling is not expected before late summer 2004.⁵⁴

In 2002, three individual complaints were initiated by Brazil⁵⁵, Australia⁵⁶ and Thailand⁵⁷ against the EC sugar subsidy regime. Subsequent to this, the DSB established

a panel on 29 August 2003, deciding to hear the three complaints jointly. Many other countries are third parties, notably the ACP countries⁵⁸, which benefit from preferential trade concessions under the EC sugar protocol.

The complaint is aimed at the European 'C' sugar, i.e. surplus sugar, which is allegedly sold on the world markets below production cost. While 'A' and 'B' sugar is produced within the current production quotas and therefore guaranteed high intervention prices, 'C' sugar cannot be sold on the internal market, and has therefore to be exported at subsidised prices. The challenging parties argue that the high payments allow the EC to export this sugar at a price below its production costs (and well below world market prices).

Furthermore, they challenge the 1.6 million tonnes of sugar imported from ACP countries under the Sugar Protocol⁵⁹, claiming that the EC refines and re-exports this sugar at subsidised prices. These subsidies are therefore considered as exceeding the EC reduction commitments by violating certain provisions of the AoA and the SCM agreement.

The fourteen ACP WTO Members, third parties in the case, presented their submissions to the panel on 18 March, in which they highlighted how important this preferential access to the EC market is to their small economies largely dominated by cane sugar production.

4. THE COTTON INITIATIVE

Little progress has been made recently on the cotton issue. Cotton has been specifically addressed by the 'Cotton Initiative', which was launched by four highly cotton-export dependent West and Central African (WCA) countries⁶⁰ prior to last September's Cancun Ministerial Conference.

This proposal called for a phase-out of subsidies to all developed country cotton producers with a view of their final elimination. Furthermore, it called for a specific mechanism to compensate the income loss of LDC producers during the implementation period. The idea to pursue an agreement on cotton as a 'stand-alone' issue rather than as a part of a larger trade deal resulted from the fact that both the current non-product-specific mode as well as the slow pace of the negotiations are seen unable to deal with the extreme urgency of rapidly falling commodity prices for cotton.⁶¹

On 23-24 March, the WTO held a workshop on the issue in Cotonou, Benin, where the US, the EC, Japan, Canada, developing countries, as well as the IMF and the World Bank participated. Even though no binding commitment was made by developed countries, the fundamental importance of cotton for development was highlighted. However, although there were some signs about additional financial and technical assistance, the specific trade issue of an undistorted cotton market was not adequately discussed. Thus many civil society groups urged the major subsidising countries not to propose further development assistance funds, but rather to create a 'level playing field' in cotton trade.

Very recently, a group of African countries proposed to eventually drop its insistence of treating cotton as a

'stand-alone issue', but only under the condition that developed countries promise that the issue will be appropriately addressed in the overall agricultural negotiations. As Benin's trade minister Fatiou Akplogan pointed out, "without certain formal guarantees [...], we won't accept that [cotton] is dealt with as part of agriculture".

Another recent proposal that deals with the cotton issue is the Kigali Consensus. The AU urged the speedy implementation of the conclusions of the March workshop, especially with regard to the development-aspects of the Sectoral Initiative. The AU also called on its development partners to include "a clear commitment to speedily and substantially address both the trade-related aspects of the Initiative, and their development-related counterparts, in a 'fast-track' process" in the July framework on agriculture.

The Cotton Initiative was also addressed in consultations with a small group of Members at the June agriculture week. At the end of the week, there was still no decision on whether or not to bring this initiative into the agriculture negotiations; however it has been reported that the discussions on this issue were held in a constructive atmosphere. According to Ambassador Groser, in order to successfully incorporate the Cotton Initiative into the agriculture framework, a formula would have to be decided upon that recognised the political achievement of the African countries in raising this issue, and that also gave these countries the confidence that the issue will not merely be submerged in the broader agricultural questions. By the end of the week, discussions had not progressed far enough to expand the consultations to a larger group of Members.

5. LOOKING AHEAD

During the last few weeks, some progress has been made, and Members have reconfirmed their commitment to agree on a framework for further negotiations by the end of July. No major breakthrough has been reported by now however, and it is still not fully clear whether the mid-summer deadline can be met. While divergences over export competition are reportedly narrowing, some questions remain unanswered on domestic support, and particularly on

market access, which currently is the most serious stumbling block in the agriculture negotiations.

In the next weeks we will see several Geneva- and capital-based meetings, and many Members have expressed their moderate optimism, but others assess the progress as being at a rhetorical rather than at a concrete level.

5.1 Framework deal on agriculture in July?

According to participants in the negotiations - including the Chair Tim Groser - in certain negotiating areas consensus could potentially be achieved fairly soon. The EC's expressed readiness to negotiate an end date for export subsidies has largely improved the possibility to strike a deal on export competition. However, the EC requirement that "there must be full parallelism on all forms of export competition" - including export credits, food aid and state trading enterprises - means that negotiators face numerous complicated and fairly technical problems related to the implementation of reduction commitments for these export competition tools.

Regarding domestic support, there appears to be general consensus that final bound Amber Box levels should be drastically reduced, and that the Blue Box will be reduced and capped. In contrast, the Green Box is likely to remain uncapped, but transparency and monitoring of Green Box measures will be improved. More controversial is the eventual elimination of the *de minimis* rule for developed countries, and a US proposal to redefine the Blue Box in order to enable it to include counter cyclical payments into this category, while establishing strong disciplines to avoid possible abuse, as well as to build in an incentive for the US to reduce this kind of subsidies.

Regarding market access, the most contentious issue is agreeing on a common methodology for substantially improving market access in both developed and developing countries. As the new G-20 market access proposal - as well key Members' reactions to it - have shown, some Members seem to have abandoned the idea of proposing new reduction formulas on which agreement could be reached, opting instead to find

consensus on the basic principles and concepts of the future reduction methodology. Reportedly, Tim Groser also used this approach in his small group consultation on market access.

Another new element in the negotiations was brought in by the EC letter circulated by Lamy and Fischler, through which the EC seems to have effectively created the expectation amongst G-90 countries that they could get "the round for free" as they would be exempted from any new reduction commitments. The main question here will be whether the G-90 - or eventually other poor countries - will officially endorse the EC proposal and call for differentiated treatment between "particularly weak and vulnerable" and other developing countries. If so, this would potentially split the developing country camp, as well as groupings such as the G-20 or G-33 which also comprise Members that could potentially be categorised as especially weak and vulnerable. However, such a category does not yet exist in the WTO, and even if the more advanced developing countries agreed on such differentiation, it would be an extremely difficult task to operationalise the EC initiative.

There have been some signs, especially at the Georgetown meeting, that the G-90 group might take this opportunity and accept the EC offer, probably at the expense of developing country unity and its consolidated pressure on key developed countries to reduce subsidies and open up their protected markets. Nevertheless, in recognition that the G-90 will in the end opt for the deal which is most beneficial for its members, the EC proposal can also be seen as a strong initiative for the advanced developing countries - essentially the G-20 - to present the G-90 an equally

'good' offer. Notably, the G-20 has just very recently stated in a press communiqué on its 12 June ministerial-level meeting in Sao Paolo, that also "the concerns of...small and vulnerable economies...must be effectively

addressed"⁶² - a statement which could be seen as a signal to particularly weak, but non-LDC Members that they could also eventually be subject to a higher degree of S&D than developing countries in general.

5.2 Will Members generate a specific text?

Should the G-20 approach on market access be used for establishing the framework text, the chances for agreeing on such document by end-July would substantially increase as Members could leave many sensitive issues untouched. According to trade sources, the US might agree to adopt less specific language on the market access and domestic support pillars, and is willing to address the export competition issue quite substantially. For their part, major developing countries would like to see specific language on export competition and domestic support, while leaving out concrete elements in market access. This could even include the idea of leaving out a specific formula for tariff cuts, by only calling for an "ambitious outcome" on the issue. However, some developed countries, notably the US and the EC, are insisting that the different pillars have to be addressed in a parallel manner, implying that they will not accept specific language on export competition and domestic support without 'tangible' results in market access.

In terms of what might be achievable between now and the final General Council meeting before the summer break, many observers take the view that it will be very difficult for Members to come up with specific language on market access, a formula in particular.

On domestic support, although the G-20 and Cairns Group would like to see concrete targets, it must also

be considered that the main demandeurs for OECD subsidy removal most likely will try to avoid potentially precluding possible findings of the final rulings in the US-cotton and EC-sugar cases, by drafting language on new subsidy disciplines that could be less ambitious than the Appellate Body's conclusions - as they could eventually justify even greater reductions and stricter disciplines, e.g. on Green Box expenditures. Therefore, these countries could probably live with rather vague language on domestic support, knowing that they could tackle the subsidy problem at a later stage through the litigation track.

Regarding export competition, the EC might refuse to make concrete concessions on its export subsidies without specific language on market access and "parallel commitments" in other forms of export support, including stricter disciplines - or perhaps outright elimination - of export credit programmes, state trading enterprises and most forms of US food aid. Nevertheless, it will be hard for the EC to step back from its offer to agree on negotiating and end date for export subsidies as the joint Lamy/Fischler letter might have created the expectation amongst most WTO Members that this issue is being addressed in the framework text itself.

END NOTES

¹ Single undertaking: Members must accept the different agreements of a liberalisation round as a whole, indivisible 'package', and not just certain selected agreements. The WTO describes the single undertaking approach with the phrase "Nothing is agreed until everything is agreed."

² The framework would be a broader outline for further tariff and subsidy reduction negotiations. For further information, see *Agriculture Negotiations at the WTO: Post-Cancun Outlook Report* (ICTSD, No.9, October 2003), p.9.

³ Modalities: Targets, including numerical targets, as well as rules based elements, for achieving the objectives set out in the Doha Ministerial Declaration. For more information on modalities, see *Agriculture Negotiations at the WTO: 'Modalities' Outlook Report* (ICTSD, No.6, April 2002), p.17.

⁴ See *Agriculture Negotiations at the WTO: 'Framework Phase' Outlook Report* (ICTSD, No.10, March 2004), pp.4-7.

⁵ A group of developing countries, including China, India, Mexico, South Africa, and led by Brazil. This alliance was created as a response to the EC-US joint framework text pre-Cancun. For complete G-20 membership, see appendix 1.

⁶ The Cairns Group is a coalition of 17 agricultural exporting countries who account for one-third of the world's agricultural exports. The membership is comprised of developing and developed countries, and is led by Australia. For complete Cairns Group membership, see appendix 1.

⁷ The other two pillars are export subsidies and domestic support.

⁸ Food aid and credit programmes are mainly used by the US.

⁹ STE play a major role in Australia and Canada.

¹⁰ At previous sessions, Groser had emphasised the need for Members to sort out their differences among themselves and had only attended their discussions as an observer.

¹¹ Self-proclaimed alliance for special products and a special safeguard mechanism. For complete membership, see appendix 1.

¹² For more details on the G20 proposal, see appendix 4.

¹³ The G-10 is a group of countries - including Switzerland, Norway and Japan - with a very high level of subsidies and tariffs. For complete membership, see appendix 1.

¹⁴ Box shifting refers to when a country shifts its domestic support to less restricted categories - i.e. from Amber to Blue, and from Blue to Green Box.

¹⁵ Brazil is a Cairns Group member and the leader of the G-20.

¹⁶ South Africa is a member of the G-20, the Cairns group and the G-90.

¹⁷ Mexico is member of the G-20.

¹⁸ Kenya is member of the G-33 and the G-90.

¹⁹ *Financial Times*, 3 May 2004.

²⁰ The countries invited to this meeting were Argentina, Australia, Bangladesh, Botswana, Brazil, Canada, Chile, China, Costa Rica, the EC, Egypt, Guyana, Hong Kong, Iceland, India, Indonesia, Japan, Kenya, Malaysia, Mauritius, Mexico, New Zealand, Norway, Pakistan, Singapore, South Africa, South Korea, Switzerland and the US.

²¹ The G-90 is comprised of the LDC Group, the ACP Group and the African Union. It is the largest coalition of members operating in the WTO. See also appendix 1.

²² ICTSD. *BRIDGES Monthly Review*. Year 8, No. 4, p.1.

²³ The concept of parallelism between export subsidy elimination and the phasing out of other trade distorting export competition tools was first presented in the pre-Cancun EC-US framework text.

²⁴ This figure was already proposed in the pre-Cancun joint EC-US text.

²⁵ According to EC sources, Commissioner Lamy has recently indicated that he would consider G-90 countries such as South Africa, Egypt, Tunisia and Morocco not to be covered by the new proposed category of “weak and vulnerable countries”. On the other hand, the wording “essentially the G-90” could also send a signal to other non-G-90 countries from other developing country groupings (e.g. the G-33) which are currently facing particular problems. One developing country negotiator mentioned Indonesia in this context.

²⁶ Interviews with delegates revealed that there is no clarity whatsoever - also EC-internally - what this sentence is supposed to mean. Some Members have apparently interpreted it as a call on G-90 countries to bind their tariffs at current applied levels. If this were the intended meaning, the G-90 group would definitively not get “the round for free”, taking into account that many of them have relatively high bound tariffs. However, sources indicated that it could also mean that G-90 countries should increase the number of bound tariffs in NAMA, an area where reportedly not all tariffs have yet been bound. The most likely reason for the unclear wording may be that the EC wanted to keep this trade-off element as vague as possible in order to retain some space for negotiation.

²⁷ The Chilean WTO Ambassador Alejandro Jara reported that his government was “concerned over the attempt to create new categories of countries, consolidate preferential tariff regimes and establish an equivalence between poverty and inability to make commitments to trade liberalization” (*EFE*, 10 May 2004). The Brazilian Trade Minister Celso Amorim also criticised the proposal. At a G-90 Mini-Ministerial in Guyana, he called on the G-90 to build a common front with other developing countries, warning that, although the EC proposal may be “tempting at first sight, [it] might create permanent discrimination between full participants and other members relegated to a secondary role”. He also cautioned that, while the EC was promoting the exemption of G-90 members from new multilateral commitments, it would “require equivalent or even higher levels of concessions” in its bilateral Economic Partnership Agreement (EPA) negotiations with African Caribbean and Pacific (ACP) countries.

²⁸ The ‘blended’ formula for tariff reduction commitments would include three different ‘to-be-determined’ tariff bands: the first would be a ‘Swiss formula’ (or ‘harmonisation formula’) band where higher tariffs are more substantially reduced than lower ones; the second would be a ‘Uruguay Round’ band with average and minimum tariff cuts per tariff line; and the third a zero tariff band. This formula was first presented in the common EC-US framework paper prior to the Cancun Ministerial Conference, and was also - although in a slightly different form - included in the Cancun Draft.

²⁹ The ‘banded’ (or ‘tiered’) approach separates commodities into different tiers according to how high their tariffs are. The tariff reduction commitments are different for each band, and higher tariffs have to be cut more significantly than lower ones. This approach was developed in both draft modalities texts presented by former CoA Special Session Chair Stuart Harbinson. See *Agriculture Negotiations at the WTO: Cancun Outlook Report* (ICTSD, No.8, April 2003).

³⁰ India for example has been criticising the ‘blended’ formula as it would only grant flexibility (through the ‘Uruguay Round’ formula band) to countries like the EC which only has a few very high tariffs.

³¹ The agricultural modalities used in the Uruguay Round (MTN.GNG/MA/W/24) provided that “developing countries shall have the flexibility to apply lower rates of reduction in the areas of market access...provided that the rate of reduction in each case is no less than two thirds of” the rate applying to developed countries (i.e. 36 percent average reduction and 15 percent minimum cut per tariff line).

³² Under the ‘blended’ approach, countries would in principle be free to allocate the tariff lines to the three bands, provided that they comply with the numerical restrictions which would be determined after the framework phase (e.g. only 10 percent of all tariff lines under ‘Uruguay Round band’, 80 under ‘Swiss formula’ band, etc.).

³³ Countries like the US, EC and Canada have already bound a significant percentage of their tariffs duty free. Under the 'blended' formula, one of the three prongs is designed to capture a certain percentage of tariffs to be reduced to, or already bound at, zero levels.

³⁴ This wording seems to leave open the question whether SPs will be selected through self-designation basis, or based upon objective criteria.

³⁵ The September 2003 G-20 framework text simply reads: "4.1. Under conditions to be determined in the negotiations, the question of preference erosion shall be addressed. 4.2. The particular concerns of recently acceded members and Least Developed Countries shall be effectively addressed".

³⁶ TN/AG/W/1/Rev.1.

³⁷ Paragraph 16 reads: "16. In implementing their tariff reduction commitments, participants undertake to maintain, to the maximum extent technically feasible, the nominal margins of tariff preferences and other terms and conditions of preferential arrangements they accord to their developing trading partners. As an exception to the modality under paragraph 8 above, tariff reductions affecting long-standing preferences in respect of products which are of vital export importance for developing country beneficiaries of such schemes may be implemented in equal annual instalments over a period of [eight] instead of [five] years by the preference-granting participants concerned, with the first instalment being deferred to the beginning of the [third] year of the implementation period that would otherwise be applicable. The products concerned shall account for at least [20] per cent of the total merchandise exports of any beneficiary concerned on a three-year average out of the most recent five-year period for which data are available. Interested beneficiaries shall notify the Committee on Agriculture, Special Session accordingly and submit the relevant statistics. In addition, any in-quota duties for these products shall be eliminated. The preference-providing Members shall undertake targeted technical assistance programmes and other measures, as appropriate, to support preference-receiving countries in efforts to diversify their economies and exports".

³⁸ This element is similar to the "proportionality" principle set out in the new G-20 proposal.

³⁹ This element is similar to the "neutrality" component listed in the recent G-20 market access proposal.

⁴⁰ The G-33 reconfirmed that it is seeking special protection to shield its vulnerable sectors and low-income and resource-poor farmers from being flooded with heavily subsidised agricultural imports by integrating the concept of SPs and SSM for developing countries into the framework to be established. In order to address food and livelihood security, rural development and poverty alleviation, the SP/SSM concept would include the following principles: a stand-alone category for SPs must be introduced, no new tariff or TRQ reduction commitments for SPs are required, products considered as SPs must have access to the SSM, and developing countries must be enabled to decide by themselves which commodities they consider as SPs, and to do so using simple procedures. For more details of the earlier proposal, refer to the 19 August 2003 Joint Text by Dominican Republic, Honduras, Kenya, Nicaragua, Panama and Sri Lanka.

⁴¹ Article 5 AoA.

⁴² According to a Cairns Group developing country delegation.

⁴³ Previously, the G-10 would only consider the Uruguay Round formula, but was also sympathetic to the blended approach provided the 'Uruguay Round' band would cover about 25 percent of tariff lines. On the 'banded' approach, the G-10 expressed that they were open for proposals on a new methodology, but if it turned out to be a duplicate of the formula presented in Harbinson's draft modalities, such a proposal would not be acceptable, even without any modalities.

⁴⁴ For more details on the Consolidated Proposal, see WT/MIN(03)/W/17.

⁴⁵ Both proposals also support the maintenance and support of preferential access for developing country agriculture goods; a rejection of the blended formula; addressing NTB such as SPS and TBT ; bound duty- free and quota- free

market access in developed countries for products originating in LDCs; SP and SSM provisions for developing countries; and increasing supply side capacity.

⁴⁶ This could mean caps on product-specific AMS.

⁴⁷ In the Consolidated Proposal, the language on export subsidies was weaker. The older proposal simply mimicked the wording of the Doha mandate, calling for the substantial reduction of export subsidies, with a view of phasing out, within a specified period.

⁴⁸ These include so-called producer flexibility payments, market loss assistance payments, as well as counter-cyclical payments.

⁴⁹ As an example, the US made payments of almost 4 billion dollars to its 25 000 cotton farmers in the 2001-2002 season for a crop estimated at 3 billion dollars.

⁵⁰ Aggregate Measurement of Support.

⁵¹ AoA Article 13 (the 'peace clause') protects countries using product-specific subsidies from being challenged under other WTO agreements, provided the support does not top 1992 marketing year levels.

⁵² For more on the cotton initiative, see section 4 of this report.

⁵³ E.g. scheduling counter-cyclical payments under the Green Box.

⁵⁴ See Bridges, no. 7, February 2003, p. 15.

⁵⁵ WT/DS283/2.

⁵⁶ WT/DS265/21.

⁵⁷ WT/DS266/21.

⁵⁸ The Group of African, Caribbean and Pacific (ACP) countries, which have a preferential access to the EC market.

⁵⁹ Under the Sugar Protocol, which is part of the Cotonou Agreement between ACP countries and the EC, the EC guarantees to import agreed quantities of raw cane sugar from these countries.

⁶⁰ The four countries are Chad, Benin, Burkina Faso and Mali. The percentage of cotton in their total exports amounted, in 2001, to 75.6 percent, 66.7 percent, 56.6 percent and 38.1 percent respectively, while the world cotton prices have continuously decreased over the past few years. (UNCTAD, *Economic development in Africa. Trade performance and commodity dependence*, 2003, p. 65).

⁶¹ In 2001, the price cotton fell by 20.9 percent in comparison with the previous year. (UNCTAD, *Trade and development report 2003*).

⁶² The communiqué also mentions LDCs, net-food importing developing countries (NFIDCs) and recently acceded Members.

APPENDIX 1: COUNTRY GROUPINGS SYNOPSIS

Country Groupings			
Cairns Group	G-20	EC Members	G-33
Argentina* Australia Bolivia* Brazil* Canada Chile Colombia* Costa Rica* Guatemala* Indonesia* Malaysia New Zealand Paraguay* Philippines* South Africa* Thailand* Uruguay *These countries have overlapping memberships with the G-20	Argentina Bolivia Brazil Chile China Colombia* Costa Rica* Cuba Ecuador* Egypt El Salvador* Guatemala* India Indonesia Mexico Nigeria Pakistan Paraguay Peru* Philippines South Africa Thailand Tanzania Venezuela Zimbabwe *These members have left the G-20 since its formation, due to the CAFTA negotiations with the US.	Austria Cyprus* Czech Republic* Belgium Denmark Estonia* Finland France Germany Greece Hungary* Ireland Italy Latvia* Lithuania* Luxemburg Malta * Netherlands Poland* Portugal Slovak Republic* Slovenia* Spain Sweden United Kingdom * These members have joined the EC on 1 May 2004	Antigua and Barbuda Barbados Belize Botswana Cuba Dominican Republic Grenada Guyana Haiti Honduras Indonesia Jamaica Kenya Mauritius Mongolia Nicaragua Nigeria Pakistan Panama Peru the Philippines Saint Kitts and Nevis Saint Lucia Saint Vincent and the Grenadines Suriname Tanzania Trinidad and Tobago Turkey Uganda Venezuela Zambia Zimbabwe. (China*) (India*)
Recently Acceded Members	G-10	AU/ACP/LDC	*These countries (formal G-20 members) are actively participating in G-33 meetings and support the Group in the negotiations.
Albania China Croatia Georgia Jordan Moldova Nepal Oman	Bulgaria Chinese Taipei Iceland Israel Japan Korea Lichtenstien Mauritius Norway Switzerland	This is a combination of the 54 African Union countries, 77 African, Caribbean and Pacific (ACP) countries and 49 least-developed countries (LDCs), which are Members of the WTO.	

APPENDIX 2: CALENDAR

Issue of Meeting	Event
22-26 March 2004	1 st WTO CoA Special (negotiating) Session meeting
20-23 April 2004	2 nd WTO CoA Special (negotiating) Session meeting
30 April-1 May 2004	London 'micro-ministerial' meeting
1 May 2004	Formal accession of new EC Member States
12 May 2004	'Micro-ministerial' in Paris prior to the OECD Forum in Paris
14 May 2004	'Mini-ministerial' on the sidelines of the OECD Forum in Paris
17-18 May 2004	WTO General Council
24 May 2004	EC Agriculture and Fisheries Council
29 May-4 June 2004	US: 36th World Farmers Congress, Washington, D.C.
2-4 June 2004	3 rd WTO CoA Special (negotiating) Session meeting
13-18 June 2004	'Mini-ministerial' at 11th United Nations Conference on Trade and Development (UNCTAD XI).
17 June 2004	WTO CoA Regular Session
18 June 2004	Expected release of the panel report on the US cotton case
23-25 June 2004	4 th WTO CoA Special (negotiating) Session meeting
14-16 July 2004	5 th WTO CoA Special (negotiating) Session meeting
15-16 July 2004	G-90 ministerial meeting in Mauritius
27-29 July 2004	WTO General Council (last before summer break)
November 2004	US Presidential Elections
September/October 2004	End of term for current EC Commission
18 November 2004	WTO Committee on Agriculture - regular session
1 January 2005	Scheduled deadline for the conclusion of the Doha Round
1 June 2005	Expiration of US Trade Promotion Authority ("Fast Track") ¹

¹ The TPA will be automatically enacted unless Congress adopts a resolution of disapproval.

APPENDIX 3: LETTER OF MAY 9TH FROM LAMY AND FISCHLER



EUROPEAN COMMISSION

Pascal LAMY
Franz FISCHLER

Brussels, 9 May 2004

Dear Colleague,

From many discussions with colleagues over these past few months, it is clear that there is a stronger sense of resolve to make progress on the Doha Development Agenda between now and July. A much more positive atmosphere has now emerged in Geneva.

This letter sets out what we see as the key areas where more movement is needed, in order for us to agree on framework modalities by July. We will be deliberately selective, focusing only on the prominent issues and the corresponding European positions. This will necessarily imply certain omissions, including issues of importance to the European Union, and we trust that this will not be misunderstood or misinterpreted. We will focus on agriculture, non-agricultural market access, services, the Singapore issues, and development questions.

On agriculture, we believe that we have a historical opportunity for a breakthrough. The responsibility for showing the lead clearly lies with the major subsidising countries in the developed world. We are prepared to play our role in that respect, as two major reforms of the Common Agriculture Policy in the span of less than a year demonstrate. But there must be movement on all three pillars - market access, domestic support, and export support - in a balanced fashion.

Firstly, on market access, approaches differ widely, often reflecting the fact that tariff structures are so different among members. We continue to believe that a blended formula could, with the necessary modifications, meet the concerns of all participants as well as our own sensitivities. However, all of us, instead of looking for our own magic solutions, should consider how best to address these concerns by focusing on the necessary flexibility particularly in response to developing country sensitivities. Market access continues to be a central issue in the negotiations, and one which will have to be carefully integrated in our overall approach on the three pillars.

Secondly, on domestic support, we continue to aim for a very substantial reduction of all forms of trade-distorting subsidisation. Since Cancun, a number of developing countries,

including the G-20, have made their objectives very clear and we are ready to go a long way to meet them. Thus, we are prepared to commit ourselves to a large reduction in trade distorting (amber) support as well as reduction in existing blue box payments and their capping. We believe *de minimis* support should be eliminated for developed countries. There should be new rules which would prevent subsidising countries from transferring subsidies between and within boxes. Greater transparency, advance notification and consultation are also vital principles for many countries which we support. In addition, we are open to commitments guaranteeing the overall reduction of trade-distorting domestic support. But non-trade distorting support (green box) should remain free of restrictions.

Thirdly, it is clear that the objective of eliminating all forms of export support is one which is shared by the great majority of participants. And although our own export subsidies have decreased very substantially over the past several years, and have been disciplined, other forms of export subsidisation by other members of the WTO have been maintained or increased, and remain undisciplined. Going beyond this, before Cancun, the EU offered to eliminate export subsidies on a list of products of interest to developing countries, and we subsequently made clear that there would be no *a priori* exclusions, so all our export subsidies are effectively on the table. However, the list approach has not worked, and we need to take this into account. If an acceptable outcome emerges on market access and domestic support, we would be ready to move on export subsidies. At the same time, there must be full parallelism on all forms of export competition including export credits, food aid and STEs. It is essential that the necessary work advances rapidly to specify what "parallelism" means, so that it can be spelt out in the framework agreement.

Clearly, the agriculture package must be taken as a whole, so as to ensure that our non-trade concerns as agreed in Doha are adequately addressed.

Finally, early action on cotton is vital to many developing countries. It behoves us all, and in particular developed countries, to eliminate all forms of export support, to provide free and unfettered market access and to significantly reduce and if possible eliminate the most trade distorting domestic subsidies. Our recent reform is a clear indication of our commitment to such an approach.

Negotiations on non-agricultural market access have lost momentum and we must regain it because we all know this is where the gains in the Round will be the greatest. We suggest that negotiations focus on a simple, general and ambitious formula for market opening accompanied by a short set of qualifications or exceptions in country or product terms. For example, Members could accept clearly identified exceptions for products of particular sensitivity to developing countries. More generally, we have all accepted the principle of "less than full reciprocity", but it needs to be made more operational. This means that developing countries should undertake commitments in line with their importance in world trade.

More generally, including for agriculture, there should be special, more favourable treatment for newly acceded members, to take account of the efforts they are still making. All developed, as well as advanced developing countries, should afford duty- and quota-free treatment to all imports from the least developed countries. These aims can all be achieved with only minimal changes to the Derbez text.

Negotiations in services are lagging very seriously behind, even though this is a huge potential area of growth not only for developed but also for developing countries. All developed countries have to show openness to developing country interests, which in this sector often focus on "mode 4" (that is, temporary presence abroad and professional activities of natural persons). Services negotiations need to move from second into third gear. It will be inconceivable to conclude the DDA without a significant level of new and substantial commitments on services.

On the Singapore issues, we offered after Cancun to treat each issue on its merits, and proposed to allow those who wished to pursue those issues which fell outside the Single Undertaking to do so. There has been plenty of discussion since. Where do matters currently stand? There seems to be growing support for negotiating trade facilitation inside the Single Undertaking. The EU would, of course, be ready to launch negotiations on this. As regards investment and competition, there is clearly no consensus to begin negotiations. This leaves the question of transparency in government procurement, where the picture is less clear, but we are ready to join the consensus view on this. So, to be very clear, that would leave only trade facilitation, and perhaps transparency in government procurement, inside the DDA.

On development questions, and more specifically, special and differential treatment (SDT) and implementation questions, the Commission recognises that for a large number of developing countries these issues are key to progress. On the technicalities of SDT, there seems to be progress, and we for our part have made clear that we are ready to accept much of what has been tabled. But following detailed discussions with a number of colleagues from developing countries, it is clear that we need to be bolder in setting forward a more concrete, operational objective for this Round. Therefore, on agriculture and NAMA, we propose that the least developed countries and other weak or vulnerable developing countries in a similar situation - essentially the G90 - should not have to open their markets beyond their existing commitments, and should be able to benefit from increased market access offered by both developed and advanced developing countries. So in effect these countries should have the "Round for Free". But again, for purposes of encouraging domestic reform, these countries should increase their tariff bindings to a reasonable level, which would increase predictability.

As regards rules, apart from observing existing commitments in areas such as anti dumping, subsidies, and regional trade agreements, G90 countries would be only asked to participate actively in the discussions on trade facilitation and perhaps transparency in government

procurement (see above). While we do not of course want a two tier WTO, negotiations should also take in account the fact that the LDCs and other countries facing similar constraints may only be able to assume modest commitments. Above and beyond this, we are open to the proposal of some developing countries to have a negotiating group on some of the outstanding SDT and implementation requests tabled by Members.

Finally, a few words on process. Members should be able to agree on a text of framework modalities by July at the latest on at least the four key issues of agriculture, NAMA, the Singapore issues and development. This means making progress in Geneva, starting with the General Council on 17 May. We have to get concrete so that we have an outline text on the table as soon as possible and in any event, no later than the end of May.

We are sending this letter to Ministers responsible for trade in all WTO countries. We should be very grateful to hear the reactions of colleagues to this letter.

Yours sincerely,

Pascal Lamy

Franz Fischler

APPENDIX 4: NEW G-20 MARKET ACCESS PROPOSAL

G-20² Proposal on a Framework for Establishing Modalities in Agriculture Market Access

28/05/04

In the Doha Ministerial Declaration Members agreed to "substantial improvements in market access". Members agreed further that special and differential treatment for developing Members shall be an integral part of all elements of the negotiations so as to be operationally effective and to enable developing Members to effectively take account of their development needs, including food security and rural development. To achieve this, commitments shall be based on the elements set out below.

1. Members agree that a formula approach to reduction on bound tariffs is an essential element for achieving this mandate. For that purpose:

- A. Product coverage shall be comprehensive without *a priori* exclusions. The formula shall ensure progressivity in tariff reductions through deeper cuts in higher tariffs.
- B. The formula shall guarantee flexibility to take into account the sensitive nature of some products. Such flexibility shall be compatible with the Doha mandate and Members seeking such flexibility shall ensure improved market access through a combination of tariff reduction and TRQ commitments for such products. These commitments in respect of developing Members shall be subject to their rural development, food security and/or livelihood security needs.
- C. The formula shall guarantee neutrality in respect of tariff structures and proportionality of tariff reductions based on the principle of less than full reciprocity between developed and developing Members so as to ensure a fair and equitable outcome.

2. Furthermore:

- A. For the purpose of applying differentiated tariff cuts, any differentiation among tariff lines shall be based on objective criteria to be agreed.
- B. Tariffs that are already bound duty free shall not be counted towards the assessment of the tariff reduction commitments.
- C. Tariffs shall be capped, with possible exceptions for a very limited number of products on conditions to be agreed.

² Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Thailand, Tanzania, Venezuela, Zimbabwe.

- D. For the formula to be effective, tariffs shall be simplified including through conversion of *non ad valorem* tariffs to *ad valorem* equivalents through an agreed methodology.
 - E. Tariff escalation shall be addressed on the basis of a formula to be agreed.
3. With a view to ensuring substantial improvements in market access, additional commitments by developed Members shall include:
- A. Expansion of TRQs on an MFN basis by a formula to be agreed.
 - B. Improvements in TRQs administration rules.
 - C. Elimination of in-quota tariffs.
4. SSG for developed Members shall be eliminated immediately.

Special and Differential treatment for developing Members

5. Having regard to their rural development, food security and/or livelihood security needs, the following elements shall be an integral part of the formula approach for tariff reduction and other commitments in respect of developing Members, including least-developed members:
- A. In accordance with paragraph 1.C, developing Members shall apply lower rates of tariff reductions over a longer timeframe in relation to developed Members. The criteria for applying differentiated tariff cuts and for any differentiation among tariff lines shall also take into account tariff structures and conditions of developing Members.
 - B. Special and differential treatment for developing Members shall be an integral part of all other market access commitments.
 - C. Developing Members shall have the flexibility to designate, under conditions, as necessary, to be agreed in the negotiations, a percentage of tariff lines as Special Products (SP).
 - D. A Special Safeguard Mechanism (SSM) shall be established for use by developing Members.
 - E. Developed Members shall provide duty-free and quota-free access and bind it on an MFN basis at least for a percentage to be agreed of imports from developing Members and/or an agreed percentage increase over an agreed base period, whichever is higher. This commitment shall apply in particular to all tropical and other products referred to in the preamble of the Agreement on Agriculture.

Least-Developed Members

6. In addition:

- A. Least-developed Members shall be exempted from tariff reduction commitments.
- B. Developed Members shall provide duty-free and quota-free market access for all products from least-developed Members.
- C. Supply constraints of least-developed Members shall be addressed through capacity building.

Preference Erosion

7. Preference erosion shall be addressed, under conditions to be determined and using as a reference paragraph 16 of the revised First Draft of Modalities for the Further Commitments (TN/AG/W/1/Rev.1refers).

Recently Acceded Members

8. The particular concerns of recently acceded Members shall be effectively addressed through provisions of exemption from further reduction of certain sensitive products, longer time frames, grace period and lower tariff reduction commitments.

Appendix 5: Quick Reference Guide

		DOMESTIC SUPPORT							
	Issue	EC-US TEXT	G-20 TEXT	AU/ACP/LDC TEXT	G-10 TEXT	G-6 TEXT	CASTILLO DRAFT	DERBEZ DRAFT	ALT: G-20 TEXT
DEVELOPED COUNTRIES	Amber Box	Reduce the most trade distorting support in range of []%-[]%	- Reduce all trade distorting support in the range of []% - []% on a product specific basis. The difference between upper and lower range shall be no more than []%, with a significant first cut made within the first year of implementation	- Substantial reductions with a view to phasing out	- AMS reduction should be negotiated within the light of small agricultural sectors with no or minimal export of agriculture products, as Amber Box support has a limited impact - see below	- Not mentioned	- Reduce final bound total AMS in the range of []%-[]%	Identical to Castillo Text Product specific AMS support should be capped in an unidentified base year	Identical to EC-US Text - Product specific AMS remains under negotiations. - In case of products that exceed [x]% of the world exports of that product additional disciplines shall be negotiated
	De minimis	De minimis level reduced by []%	- Identical to EC-US text	- No mention in text	- Not mentioned	- Not mentioned	- Identical to EC-US Text	- Identical to EC-US Text	- Identical to EC-US Text
	Blue Box	Blue Box: (i) Direct payments are based on fixed yield or made on 85% or less of the base level of production or made on a fixed number of head. (ii) Support under (i) shall not exceed 5% of the total value of agriculture production by the end of the implementation period	- Eliminate Blue Box	- Substantial reductions with a view to phasing out.	- Sufficient level to be maintained	- Not mentioned	- Identical to EC-US Text, but reference period are the years 2000-2002 - Subsequently, Blue Box support is to be linearly reduced by []% for another [] years.	Same as Castillo Draft	- Change from 5% of average total value of agriculture production in 2000-2002 to 2.5 Subsequent reduction with a view to phasing them out
	Combined trade-distorting support	Combined Support of the Amber and Blue box and de minimis level should be reduced significantly below 2004 level	- Reduce Amber Box support and De minimis by [x]%	- Not mentioned	- Not mentioned	- Not mentioned	- Same as EC-US text, but base year is 2000.	- Minimum cut to all trade distorting domestic support, and eventually significant cut in the first year of implementation (downpayment)	- Identical to EC-US Text
	Green Box	No Change	- Direct Payments shall be capped and/or reduced. - Further disciplines to be established	- Trade distorting elements of the Green Box should be capped	- No capping or reduction of Green Box	- Not mentioned	- Criteria to remain under negotiation	Its criteria shall be reviewed to ensure that they have minimal trade distorting effects	- Green Box disciplines on direct payments shall be strengthened with a view to ensuring that its measures have no or minimal trade distorting effects
	On domestic support in general	Not Mentioned	- Not Mentioned	- Developed countries shall substantially reduce all forms of trade-distorting domestic support.	<u>Japan</u> : Basic framework of Amber Box, Blue Box and Green Box should be maintained. <u>Norway</u> : Developed Countries should make steeper cuts in Amber Box and Blue Box support	- Not Mentioned	- Not Mentioned	- Not Mentioned	- Not Mentioned

	Issue	EC-US TEXT	G-20 TEXT	AU/ACP/LDC TEXT	G-10 TEXT	G-6 TEXT	CASTILLO DRAFT	DERBEZ DRAFT	ALT: G-20 TEXT
DEVELOPING COUNTRIES	General S&D	Not Mentioned	- Not Mentioned	- LDCs exempt from any reduction commitments	- Lower reductions and longer implementation periods. <u>Japan</u> : Not Mentioned <u>Norway</u> : same as G-20	- Not mentioned	- Lower reductions commitments and longer implementation periods	- Lower reductions commitments and longer implementation periods	- Identical to Derbez Text
	AoA Article 6.2	Not mentioned	- Exempt subsidies for developing countries under AoA Art. 6.2 to be expanded to include focused and targeted programmes	- Not mentioned	- Not mentioned. <u>Norway</u> : same as G-20	- Provisions under AoA 6.2 to be expected	- S&D with respect to Art 6.2	- Longer implementation periods and enhanced provisions under Article 6.2 of the AoA	- Same as Derbez Draft
	De minimis	Not Mentioned	Maintain present de minimis levels.	- Not mentioned	- Not mentioned <u>Norway</u> : same as G-20	- Not mentioned	- No reductions required under trade distorting de minimis domestic support	- Developing countries shall be exempt from the requirement to reduce the de minimis domestic support.	- Same as Derbez Draft

MARKET ACCESS

	Issue	EC-US TEXT	G-20 TEXT	AU/ACP/LDC TEXT	G-10 TEXT	G-6 TEXT	CASTILLO DRAFT	DERBEZ DRAFT	ALT: G-20 TEXT
DEVELOPED COUNTRIES	Tariff reduction formulas	Use of a three-pronged blended formula with the UR Formula, Swiss Formula and a duty free tariff line.	The G-20 text follows the EC-US three-pronged approach with the variation of a liner cut in the UR Formula Band instead of an average and minimum cut.	Formula leading to improved market access, also addressing tariff peaks	UR formula for tariff reduction should remain the rule while; the Swiss formula should be the exception.	Same as EC-US text	Same as EC-US text	Same as EC-US text	Identical to the Derbez draft, but: Under the three-pronged approach, tariffs under the first band would be cut linearly.
	Maximum Tariff	For tariff lines that exceed a maximum of []% members shall either reduce them to the maximum or ensure effective additional market access through a request: offer process including TRQs.	Tariff lines exceeding []% shall be reduced to the maximum	Not mentioned	No maximum tariff	Same as EC-US text	Same as EC-US text	Same as EC-US text	Tariffs that exceed a maximum of []% developed country participants shall either reduce them to that maximum or ensure effective additional market access through TRQs or other measures
	Tariff Escalation	Not Mentioned	With a view to addressing tariff escalations a factor of [] will be applied to the tariff rate of the processed product in the case that its tariff rate is higher than that of its tariff in its primary form.	Improved Market Access by tackling tariff escalation.	Not Mentioned	With applying tariff reductions, the tariff on a processed product is higher than the tariff for its primary form the rate of reduction for the processed product shall be equivalent to that for the product in its primary form multiplied, at minimum, by a factor of []	The issue of tariff escalations will be effectively addressed	The issue of tariff escalations will be by applying a factor of f[] to the tariff reduction of the processed product in case its tariff is higher than the tariff for the product in its primary form.	Same as Castillo Draft
	Simple Average Tariff Reduction	Not mentioned	Not mentioned	A setting of overall tariff reductions by developed countries	Not mentioned	Not mentioned	Not mentioned	The resulting simple average tariff reduction for all agriculture products shall be no less than []%	The resulting simple average tariff reduction for all agriculture products excluding duty free tariff lines shall be no less than []%
	Tariff Rate Quotas	Not mentioned	TRQs shall be expanded by []% of domestic consumption and in quota tariff rates shall be reduced to zero.	Simplified TRQ regime	No mandatory expansion of TRQs.	Not mentioned	Not mentioned	In quota tariffs will be reduced and the issue of TRQ expansion remains under negotiation	In quota tariffs shall be reduced by []% and TRQs expanded by []% percent.
	Special Safeguard (SSG)	SSG will remain under negotiations	The SSG shall be discontinued.	Not mentioned	SSG should remain in place.	SSG remains under negotiation	SSG will remain under negotiation	SSG will remain under negotiation	The conditions and timetable for the elimination of the SSG for developed countries shall be negotiated
	Non-Trade Concerns	No specific provision concluded	Not mentioned	Not mentioned	Japan: There should be sufficient flexibility to address sensitive products, which are closely related to non-trade concerns.	Not mentioned	Not mentioned	The draft introduces the concept of a very limited number of products to be designated on the basis of non-trade concerns.	No products related to non-trade concerns

	Issue	EC-US TEXT	G-20 TEXT	AU/ACP/LDC TEXT	G-10 TEXT	G-6 TEXT	CASTILLO DRAFT	DERBEZ DRAFT	ALT: G-20 TEXT
DEVELOPED COUNTRIES	Duty free for LDCs/developing countries	- All developed countries will seek to provide duty free access for at least [x]% of imports from developing countries through a combination of MFN and preferential treatment	- Developed countries shall provide duty free access to all tropical products and others mentioned in the Preamble of the AoA as well as other agriculture products representing [x]% of imports from developing countries.	- Duty-free and quota free market access be granted to LDCs	- Not mentioned - <u>Norway</u> : Same as EC-US text plus for all LDCs	- Same as EC-US text	- Same as EC-US text - The objective of duty-free and quota-free market access from LDCs will be expeditiously pursued.	- All developed countries will seek to provide access for at least []% of imports for , developing countries through a combination of MFN and preferential access including all tropical products and others mentioned in the Preamble of the AoA. - Duty-free and quota free access for LDCs	- Same as Castillo text, but no reference to preferential access.
DEVELOPING COUNTRIES	General S&D	- Developing countries shall benefit from special and differential treatment, including lower tariff reductions and longer implementation periods. - S&D will be adjusted for significant net-food exporters	- Developing countries shall benefit from longer implementation periods, lower reductions	- Support programme to enhance supply capacities for the AU/ACP/LDC countries - Erosion of long-standing trade preferences to be duly addressed.	- Lower reductions and longer implementation periods. - <u>Norway</u> : UR formula also for developing countries	- Not directly mentioned	- Developing countries shall benefit from longer implementation periods and lower reductions, - LDCs to be exempt from reduction commitments - Importance of preferential access to be taken into account	- Developing countries enjoy longer implementation periods for implementation under the Swiss Formula and the third band. - LDCs to be exempt from reduction commitments	- Developing countries shall benefit from additional implementation periods under the tariff reduction formula
	Special Products (SP)	- Not mentioned	- SPs applicable under conditions to be determined	- Countries should be allowed to self-select SPs.	- Not mentioned	- Developing countries shall have the flexibility to self-designate a []% of tariff lines as special products which will be exempt from tariff reductions	- Flexibility to designate SPs in the UR formula	- Under the UR Formula, additional flexibility to designate SPs	- Same as Castillo Draft
	Special Safeguard Mechanism (SSM)	- SSM shall be established for use by developing countries with regard to tariffs where the UR formula applies.	- Under conditions to be determined, the SSM shall be established for use by developing countries	- States the Importance of SSM for developing countries.	- Not mentioned	- SSM shall be established for all developing countries	- SSM would be created for developing countries under conditions and for products to be determined.	- The SSM shall be established for developing countries subject to conditions and for products to be determined.	- Same as Castillo Draft
	Tariff Reduction formulas	- Not mentioned	- UR formula across-the-board - No commitments with regard to TRQ expansion and reduction of in quota tariff rates for developing countries	- Not mentioned	- Not mentioned	- []% Average cut and []% minimum cut per tariff line substantially lower and in no case more than half the reduction targets specified in the tariff reduction for developed nations. - Developing countries shall not be required to expand TRQs or intra-quota tariff	- The draft proposes either a three-band UR Formula Approach or a new blend of the UR formula and Swiss Formula without a zero duty tariff line. - The applicability a maximum tariff remains under negotiation, taking into account the development needs of the developing countries.	- The draft sets out a banded version closer to the general tariff reduction formula: a UR formula, a Swiss banded formula and a third band with tariff lines between 0 and 5 percent. - To new TRQ commitments under the UR formula band - On maximum tariff, same as Castillo Draft	- Same as Derbez draft with the following exceptions: - The banded approach is replaced by a three-pronged UR formula with differing degrees if commitment. - The resulting simple average tariff reduction for all agriculture products shall not be more than [x]% of the simple average tariff reduction required for developed countries

EXPORT COMPETITION

	Issue	EC-US TEXT	G-20 TEXT	AU/ACP/LDC TEXT	G-10 TEXT	G-6 TEXT	CASTILLO DRAFT	DERBEZ DRAFT	ALT: G-20 TEXT
DEVELOPED COUNTRIES	Export Subsidies	- Eliminate export subsidies over [x] years on the following products of interest to developing countries. For the remaining products members shall reduce budgetary and quantity allowances for export subsidies.	- Eliminate subsidies on products of specific interest to developing countries over an []-year period - Eliminate export subsidies on the remaining products over a [] year period	- Export Subsidies should be substantially reduced with a view to phasing them out. - Welcome the EC-US proposal to eliminate subsidies on products of interest to the African countries.	- Should be treated equally and reduction commitments should be negotiated in relation with Non-trade concerns and increase in market access.	- Not mentioned	- I Eliminate export subsidies over [x] years on the following products of interest to developing countries. - For the remaining products members shall reduce, with a view to phasing out budgetary and quantity allowances for export subsidies.	- Identical to the Castillo Draft - A list of these products to be established for the purpose of tabling comprehensive draft schedules.	- Identical to Derbez Draft - Establishing an end date for phasing out remaining products (to be determined)
	Export credits	- Eliminate over the same period as in Export Subsidies the trade-distorting element of export credits through disciplines that reduce the repayment terms to commercial practices ([] months).	- Identify and eliminate the subsidy component of officially supported export credits, guarantee and insurance programmes through a rules-based approach	- Not mentioned	- Should be treated equally and reduction commitments should be negotiated in relation with Non-trade concerns and increase in market access.	- Not mentioned	- Identical to the EC-US text with the addition of a reference to "with a view of phasing out" export credits on the remaining products	- Identical to the EC-US text with the addition of a reference to "with a view of phasing out" export credits on the remaining products.	- Identical to Derbez Draft
	Parallelism	- Reductions of all forms of export subsidies will occur on a schedule that is parallel in its equivalence of effect on export subsidies and export credits.	- Not mentioned	- Not mentioned	- Not mentioned - Norway: Same as EC-US text	- Not mentioned	- Reductions of all forms of export subsidies with a view to phasing out will occur on a schedule that is parallel in its equivalence of effect on export subsidies and export credit.	- Identical to Castillo Draft	- Identical to Derbez Draft
	Food Aid	- Disciplines shall be agreed in order to prevent commercial displacement through food aid operations	- Identical to EC-US Text	- Not mentioned	- Not mentioned - Norway: additional disciplines to be agreed	- Not mentioned	- Identical to EC-US text	- Identical to EC-US text	- Identical to Derbez Draft
	State Trading Enterprises (STEs)	- Establishment of disciplines on the single desk export privileges, prohibition on special financing privileges and disciplines on pricing practices of state trade enterprises	- Not Mentioned	- Not mentioned	- Not mentioned - Norway: Additional disciplines to be agreed on	- Not mentioned	- The Above provisions shall apply equally to all forms of exports subsidies related to or provided directly or indirectly by or through state trading enterprises.	- Similar to Castillo Draft	- Similar to Derbez Draft
	Phasing Out Date	- Not mentioned	- Indirectly mentioned (all export subsidies to be phased out)	- Not mentioned	- Not mentioned	- Not mentioned	- The question of the end date of phasing out of all forms of export subsidies remains under negotiation.	- A date is to be determined by which the export subsidies are to be phased out.	- The date to phasing out for all forms of export subsidies shall be negotiated.

	Issue	EC-US TEXT	G-20 TEXT	AU/ACP/LDC TEXT	G-10 TEXT	G-6 TEXT	CASTILLO DRAFT	DERBEZ DRAFT	ALT: G-20 TEXT
DEVELOPING COUNTRIES	General S&D	- Not mentioned	- Not mentioned	- Not mentioned	- Not mentioned - <u>Norway</u> : same as G-20	- Not mentioned	- Developing countries shall benefit from longer implementation periods for reductions of with a view to phasing out all forms of export subsidies - LDCs to be exempt from reduction commitments	- Identical to Castillo Draft	- Same as the Derbez Draft with the following addition: - Developing countries shall also benefit from more flexible disciplines in the context of Article 12 of the Agreement on Agriculture
	AoA Article 9.4	- Not mentioned	Maintain exemption of subsidies for developing countries under article 9.4 of the AoA.	- Not mentioned	- Not mentioned - <u>Norway</u> : Same as G-20	- AoA art. 9.4 to be continued	- Until such time as the phasing out of all forms of export subsidies is completed, developing countries shall continue to benefit from the special and differential treatment provisions in Art. 9.4 of the AoA.	- Identical to Castillo Draft	- Identical to Derbez Draft
	LDCs	- Not mentioned	- Not directly mentioned	- The provisions of appropriate differential treatment in favour of LDCs and NFIDCs in the development of disciplines on exports credits as provided for in the Marrakech Decision.	- Not mentioned	- Appropriate S&D provisions to be included for LDCs and NFIDCs.	- Participants shall ensure that the disciplines on export credits to be agreed shall make appropriate provisions for differential treatment in favour of LDCs and NFIDCs.	- Participants shall ensure that the disciplines on export credits to be agreed shall make appropriate provisions for differential treatment in favour of LDCs and NFIDCs.	- Same as Derbez Draft