

Agriculture Negotiations at the WTO 'Modalities' Phase Update Report¹



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**ICTSD welcomes any feedback or criticism on the
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¹ This report was originally commissioned by the UK Wildlife and Countryside Agencies (UKWCA) to explore agriculture and sustainable development issues from a multifunctionality / joint production perspective. The report puts a broad variety of elements in context from this perspective. Although the report is non-partisan in character, it does not purport to present a fully balanced, sustainable development perspective, nor should it be seen as a reflection of ICTSD's own priorities. ICTSD has used information gained in writing the reports in its own *BRIDGES* series of publications, and is grateful to UKWCA for its support and for the opportunity to release this report in its entirety for the benefit of ICTSD's audiences.

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Executive Summary

This paper is the first report of series III detailing the developments in the agriculture trade negotiations currently underway at the World Trade Organisation (WTO). The report series is being prepared by the International Centre for Trade and Sustainable Development (ICTSD).

This report, issued in September 2002, offers an update on the recent talks held in the so-called 'modalities phase'², or phase III, of the ongoing WTO agriculture negotiations. It will further address several other issues – both inside and outside the WTO – which might have impacts on the WTO agriculture talks. Since the beginning of the 'modalities' phase in early-April, it appeared that some progress in the negotiations has indeed been made, at least in terms of harmonising diverging negotiating stances within the main groupings in the Membership. Therefore, working along the three categories "cautious" group (i.e. the 'Friends of Multifunctionality'), the "ambitious" group (Cairns Group and – to some extent – the US) and the "special consideration" group (i.e. the Like-Minded Group, African Group, economies in transition, etc.) proves more and more handy as the negotiations proceed. Furthermore, WTO newcomer China has now positioned itself in the negotiations, thereby acting somehow as a mediator between the three camps outlined above. Especially in the market access debate, it was also interesting to see how "cautious" Members such as the EC and Switzerland are increasingly trying to bring issues related to precaution, labelling and geographical names ("indications") into the agriculture talks *inter alia* via the assertion of agricultural non-trade concerns (NTCs). This negotiating strategy aimed at trading-off expanded market access and reduced subsidies against WTO Members' concessions relating to contentious food safety, consumer information and intellectual property right (IPR) issues could prove a real stumbling bloc in the current agriculture negotiations.

This report is divided into four sections:

- Section 1 is a brief introduction setting the agriculture negotiations in the overall context of activities at the WTO.
- Section 2 focuses on the themes within phase III of the negotiations that have been identified by UKWCA as showing most significance for its recent work on influencing European trade policy-making, providing descriptive and analytical detail of expressed positions.
- Section 3 is aimed at providing an overview on agriculture-related policy making processes in relevant fora within and outside the WTO.

² This term refers to the fact that Members are required to establish the "modalities for the further commitments" (Doha Declaration paragraph 14) until 31 March 2003. See also the analysis on Doha Declaration paragraph 14 provided in the previous ICTSD Doha Analysis Report, January 2002, page 18.

- Section 4 looks ahead at the emerging issues in connection with the future negotiations in agriculture during the 'modalities phase'.

The methodology used in compiling this report combined comprehensive in-house analytical work as well as extensive outreach to country delegates based in Geneva and representatives of local non-governmental organisations. Taking account of the fact that the negotiations in the current 'modalities' phase are largely held orally and proceed on an issue-by-issue basis, this report groups in its presentation Members' positions around the single subjects discussed, instead of focussing on a proposal description as done in the previous reports. Nevertheless, the few (mostly informal) papers tabled during the recent negotiating session have been summarised in various text boxes included in the main text. The 'quick references guides' used in the previous report have not been included in this paper so as to shorten the paper as well as to provide more space for other useful references. The non-papers used in writing this report could not be annexed for reasons of confidentiality.

ICTSD, September 2002

Section 1: Context Setting

1.1 Background

Paving the way for the next stage of the ongoing WTO agriculture negotiations, Members agreed in a 26 March CoA special session (CoASS) on a 12-month work programme so as to respect the 31 March 2003 deadline for the establishment of the so-called 'modalities' as provided for in Article 14 of the Doha Declaration. These modalities will set out targets - including numerical targets - as well as rules-related elements based on which Members will subsequently prepare their individual schedules. As a result, the negotiation of the modalities is one of the most critical stages of the agriculture talks, as the modalities to be agreed will determine the shape of the final outcomes of the negotiations under the Doha mandate. It appears that Members will have a difficult time completing their work in the seven meetings scheduled between now and end-March 2003, both for technical and political reasons. Given this pressure and the bilateral nature of trade relations, most of the activity in this phase is taking place outside of the scheduled meetings in informal consultations held by the Chair, coordination meetings within the main groupings as well as in bilateral talks. One delegate even noted that "there was consensus that nothing will be agreed upon in the plenum [i.e. the CoA]" - a predication, which further underlines the sensitivity Members are attaching to many of the currently discussed issues. Another challenge will be to synchronise the modalities negotiations with talks at other negotiation groups as some Members are likely to offer new agricultural commitments only as trade-offs for gains in other trade sectors. This prediction has already partly been confirmed by the strategic move of the EC and others to link results to be achieved in other WTO fora to the progress in the agriculture talks.

In terms of procedure, Members convened on 17-18 June for an informal special (negotiating) session of the Committee on Agriculture (CoASS), which focussed on export competition (including export subsidies and credits) exclusively. Just recently, the CoASS met again on 2-3 September where Members addressed a range of market access issues. Furthermore, on 4-5 September Members held additional talks aimed at preparing the forthcoming special session scheduled to be held in late September where the CoASS is planning to address the last of the three pillars of the Agreement on Agriculture (AoA) - i.e. domestic support. Members had held such "intersessional" consultations prior to the special sessions on export competition and market access as well³.

³ Members are holding these "intersessional" meetings ahead of the pillar-based special sessions as they feel that more time is needed for the discussions than provided for in the 'modalities' work programme. By now, it appears that the "intersessionals" are more or less an integral of the special sessions.

2.2 Timetable

<u>Work Programme</u> ⁴				
"Inter- sessional"	CoASS		CoARS	Issue of meeting
	Informal	Formal	(Regular Session)	
3-4 June	17-18 June	20 June	21 June	Export competition
29-30 July	2-3 September	6 September	None	Market access
4-5 September	23-25 September	27 September	26 September	Domestic Support
	18-20 November	22 November	21 November	Matters that require follow-up
18 December (begin of WTO winter break)				Circulation of overview paper prepared by Chair (including rules)
22-24 January 2003				Comprehensive review of possible modalities based on the overview paper
24-28 February 2003				Consideration of the first draft of modalities (draft to be circulated in advance)
25-31 March 2003				Establishment of the modalities (revised draft to be circulated in advance)
September 2003				Draft Schedules to be submitted (before 5 th WTO Ministerial in Cancun, Mexico) ⁵
September 2003				Stocktaking (at 5 th WTO Ministerial in Cancun, Mexico)
1 January 2005				Negotiations to be concluded (together with 'single undertaking') ⁶

⁴ As provided for in the 26 March work Programme and in the Doha Declaration (see Appendices C and D).

⁵ See footnote above.

⁶ See Doha Declaration paras. 14 and 45.

Section 2: Negotiations in Modalities Phase

2.1 General

Looking at the recent negotiations in Phase III, it appears that Members are working hard to achieve more convergence of their positions within the three main groupings, i.e. the "cautious", the "ambitious", and the "special consideration" camp. In particular, the six 'Friends of Multifunctionality' (or MF6) - the EC, Switzerland, Norway, Japan, Korea and Mauritius - seem to speak with one voice, especially as far as the implementation of the recognition of non-trade concerns (NTCs) is concerned. Also the US and Cairns appear determined to streamline their demands, at least in the areas market access and export subsidies. On domestic support, it can be said that the substantial increase of US farm subsidies under the new Farm Bill has caused some irritation within the Cairns Group, but it looks as if the US in its new negotiating proposal (see Box 3) would make an attempt to appease Cairns by calling for an elimination of export subsidies as well as through offering to fix a date by which all trade-distorting support would be eliminated⁷. Within Cairns itself, it seems noteworthy that the Philippines have tabled a two-stage approach proposal in which it seeks to "outline an alternative modality that harmonises and integrates reform in the three pillars of market access; export competition and domestic support." In its submission, the Philippines are proposing a concept under which developing countries would only then be required to tackle their tariffs if developed countries have eliminated their export subsidies and significantly reduced their trade distortive support. Meanwhile, developing countries should be allowed to impose punitive tariffs on imports supported by "trade-distorting export competition and domestic support measures". It should be noted here that the Philippines paper has only been tabled as a "contribution" and that the Member has generally subscribed to the market access positions put forward by the Cairns Group (see below), but it surely contains an interesting approach on how to put real pressure on developed countries to cut down trade-distorting subsidisation. Even a European delegate called the paper "a very useful contribution to the negotiations."

Another key factor, which has brought a new spin in the negotiation dynamics, is the active participation of WTO newcomer China in the ongoing discussions. Looking at China's non-paper (see Box 1), it seems as if the newly acceded Member would pursue a 'compromise' approach by incorporating some Cairns parlance (e.g. elimination of export subsidies and trade-distorting support, down payment included), certain Like-Minded Group (LMG) demands (e.g. S&D with respect to supporting low-income and resource-poor (LI/RP) farmers), but also by joining the "cautious" camp in demanding that NTCs needed to be taken into account in the negotiations⁸. Therefore it seems recommendable to further follow China's approach in the talks, as it might be used as a possible template for the modalities to be agreed, or at least as China's weight could be decisive for what general direction the negotiations will take.

⁷ However, Cairns wants an elimination within three years, whereas the US proposes a three-year period.

⁸ But China adds that "such concerns shall not be used as excuses of trade protection."

2.2 Discussions on Domestic Support

At the 4-5 "intersessional" meeting on domestic support, Members started to exchange their views on the five items identified by the Chair for the area domestic support, i.e. Green Box, Article 6.2⁹, Blue Box, Amber Box and "other domestic support issues." Mainly addressing the Green Box, Members discussed *inter alia* whether the eligibility criteria of the Box needed to be revised and whether a maximum level of each Member's spending under the Green Box should be established. While Members such as China and the Philippines supported the idea of capping the Box, the EC, Switzerland and Japan suggested expanding the Green Box so that non-trade objectives such as animal welfare and rural development could be better pursued¹⁰. Nevertheless, a European delegate pointed out, there was general consensus amongst Members that the "Green Box remains green," i.e. that it was not expected that further production-linkage of payments under the Box would be agreed. In this context, the US pointed out that NTCs such as animal welfare could already be addressed through AoA Annex 2 (Green Box). For its part, Cairns Group country Thailand proposed to revise the general requirement of the Box that measures imposed under the Green Box "have no, or at most minimally trade-distorting effects" by deleting the "or at most minimally" bit. A developed country source indicated, however, that he considered it unlikely that the trade-distortiveness language of the Green Box provisions would be modified in the current agriculture talks.

Regarding the Peace Clause (AoA Article 13), a European delegate stated that this subject was still a "non-issue." Although those favouring an extension of the Peace Clause (i.e. the "cautious" group) and the Members advocating for its expiration (the "special consideration" camp, in particular) would repeat, in general terms, their respective positions, no detailed discussions took place so far, the source said. But he went on to state that even in the event the Peace Clause would lapse in end-2003¹¹, he would not expect that this would "cause a wave of dispute settlement panel requests starting on 1 January 2004." He explained that probably no Member would find it appropriate to challenge trading partners' subsidies while the agriculture negotiations continue, as the "first one who shoots" would risk a collapse of the farm talks and therefore potentially of the whole trade round. In conclusion, it would seem likely that the Peace Clause could - at least *de facto* - be extended until the conclusion of the Doha Round.

2.3 The Treatment of Non-Trade Concerns

Looking at recent developments, it looks as if those WTO Members taking the view that certain agricultural non-trade concerns (NTCs) apply to all countries are pushing hard now to achieve full recognition of NTCs within the ongoing modalities negotiations. Additionally, it seems that they are currently trying to bring issues outside the Agreement on Agriculture (AoA) into the current agriculture negotiations *via* the concept of non-trade concerns.

⁹ So-called Special and Differential Treatment (S&D) Box.

¹⁰ In particular, Japan seeks more flexibilities under the Green Box to provide payments for safety-nets and natural disaster relief.

¹¹ As provided for in AoA Article 13 and 1(f).

The so-called Friends of Multifunctionality, i.e. the EC, Japan, Korea, Norway, Switzerland, Norway and Mauritius (MF6) invited 44 WTO Members, four acceding countries and one WTO observer to a Ministerial Conference on Non-Trade Concerns (NTC-IV) on 14 June in Rome. This was the fourth NTC conference after similar events held in Norway (2000), Mauritius (2001) and Doha (2001), and being the second meeting on Ministerial level after the meeting of the 'Friends of Multifunctionality' group in Doha. The main message in Rome was that as now "almost half of the WTO Membership"¹² was supporting NTCs such as rural development, food security and environment, "NTCs must be on equal footing with trade issues," EU Agriculture Commissioner Fischler stated. Addressing the Chair of the CoA negotiating session as well as the whole WTO Membership, the participants of NTC-IV went on to demand in their final statement¹³ that the "scope of modalities...should be designed to duly cover non-trade concerns."¹⁴ Moreover, MF6 *et. al.* repeated their view that in order to address the NTCs rural development, food security and environment a certain degree of agricultural production was needed. Furthermore, it was stressed that addressing NTC "calls for resources" and that trade preferences to vulnerable developing states was a key mean to obtaining these resources.¹⁵

Since the 17-18 June informal special session on export subsidies, MF6 is pushing for the introduction of a separate column in the modalities in which NTCs could be addressed separately. As it stands

Box 1: Summary of China's proposal

In terms of **market access**, the WTO newcomer *inter alia* called on Members to reduce tariff peaks and tariff escalation significantly, but added that "newly acceded Members" should be exempted from any new tariff reduction commitments.

On **export subsidies**, China proposed to reduce, "with an aim of eliminating," such subsidies within three and six years for developed and developing Members, respectively. It further said that the amounts of export credits granted by Members needed to be bound and reduced, while strict eligibility criteria for the use of such schemes had to be established.

Addressing **domestic support**, China suggested eliminating both Amber Box (covering trade-distortive support) and Blue Box (payments under production-limiting programmes) within three years through reducing these payments by 50 percent in the first year and 25 percent in the following two years. Nevertheless, special and differential treatment (S&D) was to be granted to developing countries striving to ensure food security and to increase income and employment for low-income (LI) people and resource-poor (RP) farmers in rural areas. Turning to the Green Box (at most minimally trade-distorting support), China proposed to remove government aid in relation to income insurance and income safety-net programmes from the Box and to strengthen the eligibility criteria for payments under regional assistance programmes (AoA Annex 2, para 13).

On the controversial issue in how far Members should be allowed to invoke **non-trade concerns (NTCs)** in the negotiations, China acknowledged the "significant importance" of issues such as poverty alleviation, food security and social stability, but warned that "such concerns" should not be used as excuses of trade protection."

¹² Counting the EU as 15 (number of EU Member States).

¹³ See Appendix D and E.

¹⁴ It was reported that the EC has forwarded this message to the Chair of the CoA special session, Mr. Stuard Harbinson from Hong Kong/China, with the requests to include NTCs in the modalities.

¹⁵ It should be noted in this context that many of the supporters of the MF6 group are countries which have particular interest in how the EU's common agricultural policy (CAP) will be designed in the future, i.e. various East-European countries acceding the EU, on the one hand, and some African, Caribbean and Pacific (ACP) states, which are depending on preferential market access conditions provided under the CAP, on the other.

now, the documents prepared by the Chair, which are to be used as guidelines for Members when drafting their modalities proposals, are only comprising the four columns: "Item/Parameter", "Modalities", "S&D" and "Comments". In its two "specific drafting inputs" – one on export subsidies and the other on market access – Switzerland used a list using five columns: "Item/Parameter", "Modalities", "S&D", "NTCs" and "Comments". However, the Cairns Group and some non-Cairns developing countries opposed this approach, arguing that S&D and non-trade concerns were not equally treated in the Doha mandate¹⁶.

As a result, it appears that the Chair is sticking to the four-column format, which had previously been used during the Uruguay Round, as he stated in its "Technical elaboration of detailed possible modalities for further commitments, including rule-related elements, in the area of domestic support"¹⁷ that "non-trade concerns can be taken into account in either of these [four] columns as appropriate."

Another interesting development, which emerged particularly during the recent 2-3 September informal special session on market access, is that some of the MF6 group spearheaded by Switzerland and the EC is now trying to bring into the 'modalities' negotiations certain issues such as the precautionary principle, labelling and geographical indications (GIs), which have so far only been addressed at other WTO fora such as the Committee on Sanitary and Phytosanitary Measures (SPS), the Committee on Technical Barriers to Trade (TBT) as well as the Trade-Related Intellectual Property Rights (TRIPs) Council¹⁸. Switzerland even cautioned in its "special drafting input" on market access that "without sufficient progress in the correspondent negotiating fora, only a minimal result appears to be attainable in the agricultural negotiations."¹⁹

FOOD SAFETY

The EC said that it would like an interpretation of the AoA to allow use of precautionary measures instead of seeking to amend the SPS Agreement, or simply relying on dispute rulings²⁰ relating to the use of precautionary measures. Therefore, the EC suggested, the agriculture negotiations should be used to clarify six essential elements: precautionary measures should be proportionate to the food safety target; they should not discriminate; they should be applied consistently; costs and benefits of alternative measures should be compared; scientific data should be re-evaluated as new information emerges; and measures should be based on science. This proposal was supported by *inter alia* Switzerland; Norway, Korea and Japan, while others such as the US, Cairns Group members and China said that this was an SPS issue. India and China also complained that SPS measures were more and more replacing tariffs as trade barriers.

¹⁶ According to the Doha Declaration (para 13), S&D "shall be an integral part of the negotiation," whereas NTCs will only "be taken into account" as provided in the AoA. See also the ICTSD 'Modalities' Phase Outlook Report, April 2002, pages 15-16.

¹⁷ This note was tabled at the 4-5 September "intersessional" meeting preparing the forthcoming 23-25 and 27 September negotiating session on domestic support.

¹⁸ See also ICTSD Doha Analysis Report, January 2002, pages 12-13.

¹⁹ Switzerland further added that "in case and in order to obtain substantial results in the agricultural negotiations, such issues might have to be also negotiated in the CoASS."

²⁰ Such as EC-Hormones (WT/DS26/AB/R and WT/DS48/AB/R) and Japan-Measures Affecting Agricultural Products (WT/DS76/AB/R).

MANDATORY LABELLING

The EU, Switzerland, Norway and Japan said this is needed to provide information for consumers, and to cover such issues as production methods ("organic" products) and traceability/product tracing. US, China, and the Cairns Group, however, insisted that labelling was a TBT issue.

GEOGRAPHICAL INDICATIONS (GIs)

The EU called for negotiating - as a direct market access issue - the extension of the level of protection of GIs in the agriculture talks with the aim to include an index of additionally protected agricultural GIs in the Agriculture Agreement, a European country delegate said. Switzerland, however, indicated that it would prefer to leave the subject in the TRIPs Council as long as progress was made there. Fellow MS6 members Norway, Japan and Korea remained silent on the GI issue. It was also reported that Cairns Group members Thailand and Bolivia had had shown some support for extending GI protection, but agreed with Switzerland that this should rather be handled at the TRIPs Council.

In the export competition debate, Switzerland, which -- along with Japan and Korea -- considers export restrictions as a food security concern for net food-importers, proposed to "tariffy" all export restrictions into export taxes and to subsequently bind and reduce them. Notably, Switzerland inscribed its proposal on export restriction partly in the category "NTC" used in its technical elaboration tabled at the June CoASS on export competition.

2.4 Discussions on Market Access

Tariffs

Here the discussions revolved around the question which reduction formula to use. Currently, there are two main proposals on the table:

- "Swiss formula"²¹-like approach, which would produce much steeper cuts on

Box 2: Summary of the communication of the Philippines

Cairns Group member the Philippines tabled an interesting proposal aimed at interlinking tariff reductions with reductions in export subsidisation and domestic support, as well as to setting up a "responsive mechanism that penalises the persistence of trade distorting support and rewards their timely reduction and eventual elimination." Pursuing a two-stage approach on **tariff reductions**, the WTO Member suggested bringing down tariff peaks and tariff escalation to a harmonised level within the initial three-year phase, with further reductions from this level during the second three-year period. However, developing countries should only be required to enter in phase two in the event that all developed countries have eliminated export subsidies and "substantially reduced their production- and trade-distorting support."

Departing from the proposal on a **special and differential countervailing measure (SDCM)**¹ as tabled last October by Members such as the Philippines, Argentina, the Philippines tabled a detailed formula for additional duties available to importing developing countries on products exported from countries that provide "trade-distorting export competition and domestic support measures" on such products.

¹ See ICTSD Update Report, October 2001, Page 17.

²¹ The so-called "Swiss method", which was applied in the Tokyo Round, is designed to achieve deeper cuts in high tariffs and to address the problem of tariff peaks. The formula is $T_1 = aT_0/(a+t_0)$, where T_0 is the initial tariff, T_1 is the new tariff and a is a parameter that determines the depth of cut.

higher tariffs. The Cairns Group²², the US²³, the Like-Minded Group (LMG)²⁴ and some others are supporting this harmonising formula. The US²⁵ as well as the Cairns proposal would leave a maximum tariff of 25 percent after five years²⁶. Critics said this would be too ambitious, requiring too much adjustment, and some others such as Korea said it would be inequitable because countries with lower tariffs would not have to reduce much. Some Members such as the EC, Switzerland, Norway, Japan, Korea and Mauritius – or Friends of Multifunctionality²⁷ (MF6) - also argued that a Swiss formula would be too complicated because it would require converting specific tariffs into *ad valorem* tariffs²⁸. China had a similar “non-linear” proposal.

- “Uruguay Round approach”, which is “linear”, i.e. the same percentage reductions no matter what the starting tariff rate is²⁹. The approach is proposed *inter alia* by the MF6, Chinese Taipei, and India³⁰, which further would like to negotiate the tariff reduction rate along with reduction rates on export subsidies and domestic support.

TARIFF RATE QUOTAS (TRQs)

Whereas most Members (Cairns Group, US, China, etc.) would like to expand TRQs with the final objective of a tariff-only regime, others such as Japan and Korea want some quotas to be recalculated to reflect more up-to-date levels of domestic consumption. Australia and others, however, opposed anything that would allow quotas to be reduced. Addressing the issue of in-quota tariffs (i.e. the tariffs applying

The reduction parameter, a , used in Tokyo Round was 16, but this reduction method was designed for initial tariffs that were less than 50 percent. With the parameter $a=16$ a tariff of 350 percent is reduced to 15 percent; with $a=60$ the reduced tariff is 51 percent; with $a=140$ the reduced tariff is 100 percent.

²² On 25 July, the US released a comprehensive proposal for the ongoing agricultural negotiations at the WTO. The full text of the US proposal can be found at

<http://www.fas.usda.gov/itp/wto/proposal.htm>.

²³ Or together the “ambitious group”.

²⁴ The LMG further proposed the option to bring down all tariff peaks down to 12 percent. The LMG is currently mainly acting as a group of eight comprising Cuba, the Dominican Republic, Honduras, Kenya, Nicaragua, Pakistan, Sri Lanka, and Zimbabwe.

²⁵ On 25 July, the US released a comprehensive proposal for the ongoing agricultural negotiations at the WTO. The full text of the US proposal can be found at

<http://www.fas.usda.gov/itp/wto/proposal.htm>. For a summary see Box 3.

²⁶ 125 percent for developing countries, according to the Cairns Group proposal.

²⁷ Or the “cautious group”.

²⁸ *Ad valorem* tariffs are calculated as a percentage of the price, compared to specific tariff rates (e.g. dollars per ton). Costa Rica presented a paper criticising specific tariffs as being intransparent and providing increased protection when prices fall. Cairns Group, India and others, and to some extent the US, want to get rid of specific tariffs. The European countries, Japan, etc say specific tariffs have advantages (traders know what they are going to pay without having to refer to prices) and converting them to *ad valorem* tariffs would be too complicated.

²⁹ During the Uruguay Round (UR), tariffs had to be reduced on a simple average basis by 36 percent with a minimum rate of reduction of 15 percent *per* tariff line (24 and 10 percent, respectively, for developing countries).

³⁰ It was reported that India – a former supporter of the “Swiss” model – was now advocating for the UR formula as it had realised that also itself would need to cut some tariffs significantly. It was further indicated that even Canada - a Cairns Group member – would face difficulties in promoting the “Swiss” formula because of its rather sensitive dairy sector where it is still applying high tariffs.

Box 3: Summary of the new US proposal

In **general terms**, the US proposes a two-phase process with an initial five-year period where export subsidies are eliminated and tariffs and trade-distorting support substantially reduced. In phase two, all remaining tariffs and trade distortive support domestic support will eventually be eliminated.

On **export subsidies**, the US proposes to eliminate them over a five-year period (in equal annual increments). The US further suggests identifying permissible practises for export credit activities, with all export credits inconsistent with these disciplines being considered export subsidies.

In terms of **market access**, the US suggests to bring down all tariffs through the application of the "Swiss" formula to a maximum level of 25 percent within five years. Furthermore, it proposes to expand TRQs by 20 percent within the same period. Furthermore, it pleads for the elimination of the special agricultural safeguard (SSG), but points to the need to "to improve import relief mechanisms for seasonable and perishable products".

On **domestic support**, the US calls for limiting all 'non-exempt' support (Amber plus Blue Box) to five percent of the value of the total value of agricultural production¹, starting from current caps over a five-year period. It further proposes that Members agree on a specific date for the elimination of all trade-distorting support. Regarding the Green Box, the US proposes to maintain the basic criteria of the Box and to leave it un-capped. The US further wants to keep *de minimis* levels unchanged.

On **S&D**, the US suggests *inter alia* to exempt certain domestic support measures targeting low-income and resource poor farmers (LI/RP) from subsidy limits.

¹ This equals with the current *de minimis* level for non-product specific AMS.

to products imported within the TRQ), countries like New Zealand, Australia and Brazil want in-quotas to go to zero. Some others such as Thailand and Hungary said that keeping in-quota tariffs above zero would help narrowing the gap between in- and out-of-quota rates, and ultimately bringing a tariff-only system. European countries, Japan and China, however, opposed zero in-quota tariffs in general, except in the case of preferential market access schemes for least-developed countries (LDCs)³¹. Turning to the item TRQ administration, Members mainly discussed how to develop administration methods that are practical, predictable, and transparent.

SPECIAL SAFEGUARDS (SSGs)³²

Many developing countries indicated that they would like to be able to use SSGs. Currently this special agricultural safeguard mechanism is only available to countries that "tariffed" in the Uruguay Round, and only on the products they tariffed. Few developing countries did this. The Cairns Group reiterated in its proposal its call for eliminating the SSG for developing countries, but said that it would agree to a new safeguard for developing countries under agreed circumstances. Sources further reported that there was additional "sympathy for this call." For their part, Japan, Korea and Switzerland³³ proposed a new and additional safeguard for perishable and seasonal products, a suggestion that was clearly rejected by Members such as those from the Cairns Group.

SPECIAL AND DIFFERENTIAL TREATMENT (S&D) IN GENERAL

During the discussion, new Members such as China and countries in economic transition repeatedly argued for S&D because of the state of their economies and as

³¹ As e.g. in the case of the "Everything But Arms" initiative of the EC.

³² The SSG is a special mechanism which protects some -- mostly developed -- countries from sudden surges in imports of certain agricultural products.

³³ With support from the US as its new proposal reveals. See Box 3.

the new Members are still implementing market-access commitments under their membership agreements.

2.5 Discussions on Export Competition

EXPORT SUBSIDIES

The Cairns Group of agriculture exporting countries reiterated their call to phase out export subsidies within a three-year term (six years for developing countries), with an initial down payment of 50 percent. This position was supported by many non-Cairns developing countries. To the disappointment of the Group, the US -- a former supporter of Cairns positions -- proposed a five-year period, but without the down-payment. WTO newcomer China aligned itself with the Cairns Group position, but was less clear on the down-payment issue, sources reported. The EC, which is a key user of export subsidies, remained silent on its position but generally questioned whether the Doha mandate envisaged the elimination, or just the reduction, of export subsidies. Switzerland suggested the option of modulating reduction commitments by which Members were allowed to cut expenses more moderately for some sensitive products in return for steeper cuts in others -- a proposal which was vigorously opposed by the Cairns Group. Japan and Korea did not propose any specific modalities.

On special and differential treatment (S&D), India and Like-Minded Group members called for exemptions for developing countries along the lines of Article 27 and Annex VII of the Agreement on Subsidies and Countervailing Measures (SCM)³⁴. However, this was opposed by Cairns Group developing countries, which said it would worsen distortions and damage South-South trade. Switzerland proposed outlawing all exports supported by export competition to least-developed countries (LDCs) and other vulnerable economies unless such exports were explicitly approved by the importing state. It was further reported that Switzerland showed some flexibility to extend this S&D measure to other developing county Members.

EXPORT CREDITS, ETC.

During the negotiations, two general approaches emerged. For its part, the Cairns Group suggested a "rules-based" approach by which "commercial terms" such as duration of credit (e.g. 180 days) and benchmarks for interest rates and appropriate insurance premiums would be defined, with everything else treated like export subsidies³⁵. In contrast, the EC proposed a "reduction commitment" approach where the subsidy component of credit, insurance and guarantee would be calculated and then treated the same as export subsidies. The US supported the Cairns Group version but insisted that export credits were very different than export subsidies and less trade distortive. Together with Korea, Japan, Malaysia and Cuba, the US

³⁴ SCM Article 27 exempts certain developing countries from the general prohibition to use export subsidies.

³⁵ And therefore to be reduced, as the US proposal suggests.

further cautioned that export credits were sometimes useful in times of currency reserve crises.

Section 3: Other Developments In- And Outside The WTO

3.1 The New US Farm Bill

On 13 May, US President George W. Bush signed into law a new US farm bill replacing the old Federal Agriculture Improvement and Reform Act of 1996 (1996 FAIR Act). The new US legislation (Farm Security and Rural Investment Act of 2002) is estimated to increase subsidies for crops alone by 70-80 percent to the tune of at least \$US82 billion over the next decade, thereby raising total US Amber Box subsidies to between \$US170-190 billion over ten years.

The main feature of the new farm bill is that in the crop sector it continues direct payments based on historical plantings and yields³⁶, it revises the so-called loan rate in the marketing loan programme³⁷ - under which most payments are made as "loan deficiency payments (LDPs) - and it introduces a new system of counter-cyclical payments which are paid if the overall income of farmers for different crops (i.e. market return, plus the fixed decoupled payment, plus the LDP) falls below a certain target price³⁸. Furthermore, the new US farm legislation adds new payments programmes for dairy, honey, wool, mohair and pulses. It also makes significant changes to the peanut programme³⁹. Moreover, the farm bill introduces new conservation programmes such as the Conservation Security Programme (CSP)⁴⁰ and the Grasslands Reserve Programme (GRP)⁴¹. Additionally, payments under the Environmental Quality Incentives Programme (EQIP) will see a six-fold increase to US\$9 billion over six years.

Looking at the reactions amongst trading partners, it appears that it is Members' main concern that under its new farm bill, the US could exceed its current AMS limit of US\$19.1 billion. In this context it should be noted that Members such as the EC regard the fixed payments, the loan programme payments as well as the new counter-cyclical payments⁴² to fall into the AMS (Amber Box) category. Regarding the fixed payments, the stone of contention is that the new farm bill allows farmers to update their base acres and yields. Generally, as these payments are made on crops grown in the base year, but not in the payment year, they qualify as decoupled

³⁶ This category seems to refer to the fixed decoupled payments are provided under so-called Production Flexibility Contracts (PFCs) and have so far been notified as "green" direct payments to farmers.

³⁷ Notified as production-specific AMS (Amber Box).

³⁸ These payments are aimed at providing a guarantee that the extra finance provided by until now through annual "emergency packages" will be available every year.

³⁹ Previously, the main vehicle of support was a production quota system. This will now be eliminated, with quota owners being compensated and instead a loan rate, a direct and counter-cyclical payment system, will be introduced.

⁴⁰ The CSP (US\$2 billion over six years) will provide payments for farmers who maintain (as yet undefined) stewardship practices or who improve the environmental care for the land.

⁴¹ The GRP (US\$254 million over six years) will pay livestock producers who farm on grasslands. It is aimed to enrol two million acres in the programme.

⁴² It should be noted that the EC already indicated last year that it would not accept counter-cyclical measures or payments determined by production, prices or input levels under the Green Box. See ICTSD Update Report, October 2001, page 10.

Green Box payments. However, the EC and some Cairns Group Members argue, that in allowing the base areas to be updated, the payments, for the first year at least, become “re-coupled” as farmers will receive payments for the different crops according to their recent actual planting. More over, they take the view that for subsequent years, the US government has created an expectation amongst US farmers that future updating of base crops will be allowed, thereby further breaking the decoupled status of the fixed payments. With respect to the new counter-cyclical payments, Members such as the EC argue that they must be classified as product-specific AMS. The US, however, seems to take the view that since farmers were not required to really grow the crops the payments are made on, the payments in some way became non-product specific. Critics of the farm bill counter that the payments were clearly product-specific as the counter-cyclical measures were triggered by product-specific current prices. The reason for this discussion on the product-specificity of the payments is that the US would like to notify the counter-cyclical payments under its *de minimis* threshold for non-product specific AMS. According to AoA Article 6.4(a)(ii), a Member is allowed to exclude non-product specific domestic support from its AMS calculation if it does not exceed 5 percent of the value of its total farm production. With a total agricultural production value of about US\$190 billion, this would amount to a sum of approximately US\$10 billion.⁴³

In this context it should further be noted, that the new farm bill contains a “circuit breaker” by giving the US Secretary for Agriculture the power to “make adjustments to the maximum extent practicable” to ensure that US WTO commitments will not be exceeded (AMS limit of US\$19.1 billion). However, some Members caution that, as it might be difficult to forecast an overshoot, a situation could occur where the granted payments will exceed the AMS ceiling. Furthermore, it is questioned whether the Agriculture Secretary would be able to use the “circuit breaker” to its fullest extend in the face of certain pressures which could be expected to be applied by US farm lobby groups.

In a nutshell, WTO Members such as the EC and Cairns Group countries are regretting, in general terms, that while “all developed countries have accepted the direction of farm support away from trade and production distorting measures, the US is doing an about turn and heading in the opposite direction,” as the EC’s Agriculture Commissioner Fischler put it. This risked “calling into question the reform promises of Doha,” Fischler added. Other non-Cairns developing countries are further worried that the drastic increase in US farm support could further depress world commodity prices, making imports cheaper than local products in the developing world and ultimately forcing domestic farmers out of business.

On the other hand, it appears that the EC and other “Friend of Multifunctionality” have already started to use the new US farm bill as an argument for the legitimate pursuit of non-trade concerns. At the 14 June Conference on NTCs the EC, Switzerland, Norway, Japan, Korea and Mauritius declared that they would consider certain elements of the farm bill “within the parameters of NTCs” and thus concluded that “the US have their NTCs, we have ours.” As a result, it seems that “ambitious”

⁴³ It should be noted that the EC is proposing a reduction of the *de minimis* level for developed countries. The US, for its part, is rejecting this idea (see also the summary of the new US proposal in Box 3).

participants in the negotiations such as Cairns Group countries are regarding the new US legislation as a real danger for a quick and serious process in the agriculture negotiations under the Doha mandate, whereas the "cautious" camp is denouncing the farm bill for the same reasons, but is still able to exploit it for the reinforcement of its wider negotiation strategy. It remains to be seen now, how the US will notify its future expenditures under the farm bill. Looking at several statements made by e.g. the EC and some Cairns Group members such as Argentina, Australia and even Canada, it appears that these Members are determined to challenge those farm bill measures, which they consider in breach of AoA rules, under the WTO dispute settlement mechanism (DSM).

3.2 Trade-Promotion Authority

US trade negotiators received a strengthened mandate on 1 August as the US Senate finally approved legislation granting the White House so-called fast-track authority (now called Trade Promotion Authority, or TPA) to negotiate trade pacts for the first time since 1994. The TPA is essentially an agreement by the US Congress (comprising both the House of Representatives and the Senate) to vote on trade agreements negotiated by the President on a "yes" or "no" basis, but without amendments. In return, the President agreed to extensive and on-going consultations with Congress as trade agreements are negotiated. The TPA is a detailed and descriptive piece of legislation that imposes a number of conditions on the President. Failure to comply with these conditions will give Congress the right to step back in and amend any trade agreement entered into by the President. The TPA is in force until 1 June 2005 (the Doha Round is to be concluded by 1 January 2005), with an automatic two-year extension, unless Congress votes against it. Amongst the overall objectives set out in the TPA is the reduction or elimination of trade barriers and distortions as well as the mutual supportiveness of trade and environment. Furthermore, agriculture is one of the principal trade negotiating objectives set out in the new legislation. On agricultural subsidies, in particular, the TPA allows the President to negotiate "reducing or eliminating subsidies that decrease market opportunities for United States exports or unfairly distort agriculture markets to the detriment of the United States", while "allowing the preservation of programs that support family farms and rural communities but do not distort trade."⁴⁴

The legislation's passage was welcomed by the US' major trading partners. EC Trade Commissioner Pascal Lamy said it meant the removal of an "important roadblock" to WTO talks launched in Doha last year. "We have to use this important development to generate real momentum in these negotiations," he said in a statement. Also others considered the TPA as a useful catalyst to the current negotiations under the Doha mandate as it would ensure that the US administration would actively participate in multilateral trade deals.

⁴⁴ TPA ("Trade Act of 2002"), Sec. 2102 (b)(10)(iii) and (iv).

3.3 Agenda 2000 Mid-Term Review

EU Agriculture Commissioner Franz Fischler on 10 July outlined to the European Parliament (EP) plans to reform the EU's Common Agricultural Policy (CAP) by shifting income support away from producing surpluses and towards meeting tough environmental, animal welfare and food safety standards. Under the proposals, less money will be spent on market subsidies and more on rural development. According to the proposal⁴⁵, farmers would get a single decoupled payment from Brussels based on historical references - regardless of whether they continue production on the same scale. According to the Commission, this would streamline the CAP, enabling the extension of the programme to millions of new farmers in an enlarged EU and giving the bloc the moral high ground in trade negotiations. Direct aid to farmers would be cut by three percent a year over seven years, with the savings spent on rural development. Aid to larger farms would be capped at EUR 300,000 *per year*. Guaranteed cereals prices would be cut by five percent, reducing the amount the EU pays in export subsidies that bridge the gap between high internal prices and a lower world market.

With respect to the agriculture negotiations at the WTO, the most interesting feature here seems to be that the Commission intends to complete the shift from product to producer support with by introducing a system of decoupled payments which are conditional upon mandatory cross-compliance to environmental, animal welfare and food quality criteria. This new approach seems to relate to the compensatory payments (headage payments compensating the fall in price support) introduced through the 1992 "McSharry reform", which have so far been notified by the EC under the Blue Box. The Commission declares in its proposal that the extension of cross-compliance would meet "external challenges" as the approach would "provide a major advantage within the WTO, since the Green Box compatibility of the scheme will help secure these payments in an international context." Here it appears that the Commission is advocating for a redesign of the CAP in away so that it will be prepared for "a life without the Blue Box". This is to be achieved by completely decoupling direct payments from actual production. Furthermore, it can be expected that the EC will seek a clarification in the Green Box provisions that compensatory payments for additional production costs deriving from higher animal welfare⁴⁶ and food safety standards are eligible under the Box. Nevertheless, the EC has not explicitly stated so far that it is intending to stop using the Blue Box.

Regarding rural development, the Commission further proposes to extend the scope of the CAP's "second pillar" by incorporating new food quality aspects relating to geographical indications (GIs), designation of origin and organic farming into it. In addition, the Commission suggests providing aid to farmers helping them to implement certain environment, food safety, animal welfare and occupational safety standards, as well as to offer animal welfare payments for efforts that go beyond a mandatory reference level in line with agri-environment schemes.

⁴⁵ Available at http://europa.eu.int/comm/agriculture/mtr/comdoc_en.pdf.

⁴⁶ As the EC has already done in the case of animal welfare, see ICTSD Update Report, October 2001, page 10.

3.4 World Summit on Sustainable Development (WSSD)

The World Summit on Sustainable Development (WSSD) ended on 4 September, leaving mixed reactions regarding trade-related aspects of the "Plan of Implementation"⁴⁷ and its likely impact on WTO negotiations. One trade source noted that the Plan was unlikely to have a significant influence on the Doha round as the text largely repeated WSSD-relevant commitments made at the Doha Ministerial Conference. Nevertheless, the source added that as a result of this reiteration at the highest political level and the recognition of trade as a 'means' of implementing sustainable development objective, the trade agenda had now become more political rather than remain separate from the global agenda. Similar, one delegate concluded that the Summit had sent a strong message to WTO negotiators to step up their efforts to integrate sustainable development objectives in the current trade round, which now had to be complemented by a push from within the WTO to translate these objectives into detail.

Regarding the contentious issue of agricultural subsidies, the Plan simply reiterates the language found in the Doha Ministerial Declaration. References to subsidies that contribute to unsustainable production and consumption were dropped after they were moved to the Implementation section. Instead, the Plan includes a general provision to "support the completion of the work programme of the Doha Ministerial Declaration on subsidies so as to promote sustainable development and enhance the environment, and encourage reform of subsidies that have considerable negative effects on the environment and are incompatible with sustainable development" (para. 91 b). The Doha Declaration instructs Members to negotiate reductions in agricultural subsidies, and to "clarify and improve" other WTO subsidies disciplines, but these mandates contain no references to promoting sustainable development or the enhancing environmental protection. While the Johannesburg language could be used by e.g. the Cairns Group to reinforce their demand that all trade-distorting agricultural subsidies were to be eliminated, it could as well serve as an argument for countries on the opposite ends of the debate – i.e. the 'Friends of Multifunctionality' -, arguing that support aimed at pursuing non-trade objectives such as the environment is somehow the ideal case of agricultural support. Therefore, one should not expect the Johannesburg language to guide the WTO's subsidy discussions in a new direction, but rather to be used by Members as a tool to reinforce their existing positions on subsidies in the WTO negotiations.

3.5 Who Will Chair The CoASS?

In a statement circulated to non-governmental organisations for support on 24 July, the Thai-based NGO Focus on the Global South has drafted a letter to incoming Director-General Supachai Panichpakdi asking him direct Ambassador Stuart Harbinson (Hong Kong) to step down from his current position as Chair of the special (negotiating) sessions of the Committee on Agriculture (CoASS). The statement has been endorsed by several other NGOs working on agriculture trade issues. Focus initiated the sign-on statement in light of Supachai's announcement earlier this month that Harbinson would take up the position as Supachai's chief of staff on 1

⁴⁷ Viewable at <http://www.johannesburgsummit.org>.

September. Article VI.4 of the Agreement Establishing the WTO notes that Secretariat staff "shall not seek or accept instructions from any government or any other authority external to the WTO," and further that they shall "refrain from any action which might adversely reflect on their position as international officials." A 4 February statement from the Chair of the General Council to the Trade Negotiations Committee (TN/C/1) noted that "Chairpersons should be selected from among Geneva-based representatives in the majority. Other qualified individuals nominated by Member governments could also be considered," leaving the legality of the appointment somewhat ambiguous. Thus far, no Member has explicitly opposed the nomination, but serious sources reported that some delegates (from developing countries) have met the incoming DG, Dr. Supachai, to inform him of their concerns with regard to Mr. Harbinson continuing to chair the special session on agriculture. New WTO Chief Supachai himself recently addressed this issue during his first press conference held on 2 September. Making clear that it was up to Members to decide what to do, he added that "Stuart himself would have quite some hard time in allocating his time for the Secretariat and the work for the Committee" at the same time.

It should be reminded that Mr. Harbinson is very respected in Geneva, especially for his excellent negotiating and diplomatic skills. Many also consider his work in the pre-up to the Doha Ministerial Conference as the decisive factor which made an agreement on the agriculture mandate in the Doha Declaration possible. Members (mainly from developed countries) therefore support Mr. Harbinson staying as Chair of the negotiations on agriculture as they see his involvement as a guarantee that the agriculture talks will proceed in a quick pace. Therefore it seems that those who are advocating for his re-signing from the CoASS Chair position are either trying to delay the negotiations, or they would like to replace Harbinson with a person which they consider closer to the developing country camp in the Membership. However, as most developing countries are interested in ambitious negotiations during the outcome-setting modalities talks, it could be expected that Harbinson will be chairing the CoASS at least until the modalities for the negotiation are agreed - as planned - by end-March next year.

Section 4: Looking Ahead

For those working on agri-environmental issues, the forthcoming 23-25 September special session of the CoA might be of high importance as Members are supposed to use this opportunity to table their detailed suggestions on how to design the rules for future treatment of domestic support measures provided to the national farming sectors. Therefore, some Members might table modalities options addressing e.g.: how to reduce or eliminate Amber Box support; whether the Blue Box should be maintained in its current form; and whether, and if so how, the Green Box provisions (AoA Annex) should be revised to provide for only minimal trade distortion (Cairns et. al.). On the other hand, it can also be expected that supporters of the multifunctionality concept will reveal their suggestions on how the Green Box could be expanded to enable Members to better address non-trade concerns (NTCs) such as animal welfare, the environment and rural development.

Focusing on the EC, it seems likely that the Member will propose amendments of the Green Box to effect clarification that new support measures relating to the implementation of food safety standards and animal welfare requirements, as outlined in the European Commission's recent Agenda 2000 mid-term review proposal, would be eligible under the Box. On the other hand, the Cairns Group might reveal what elements in certain environmental programmes it considers potentially trade-distorting⁴⁸ and which specific criteria for environmental payments the Groups thinks needed to be tightened. At a negotiating session in end-2001, the Cairns Group tabled a paper particularly addressing environment-related issues. Referring to Annex 2 para 12 (environmental programmes), the Group complained that in some cases, especially in developed countries, the interpretation of the measures contained in para 12 was very permissive. As a result, Cairns concluded, "some trade-distorting support may be justified as meeting environmental objectives." Unfortunately, it has not been possible so far to find out which concrete measures the Cairns Group wants to tackle. But it appears that the Group seeks to prevent Members from shifting spending currently notified under the Amber and Blue Boxes to the Green Box⁴⁹, and that is why they are suggesting to review the AoA Annex 2 provisions and strengthen its eligibility criteria. Furthermore, Cairns also said that it wants to review the current notification procedures as well as to establish an effective review mechanism where Members have to demonstrate why they consider a domestically imposed Green Box measure complying with the respective provisions in Annex 2. If Cairns would follow-up on this proposal, it might be interesting to see how the Group is implementing this idea in the current modalities negotiations. With respect to the Blue Box, it remains to be seen what degree of pressure the opponents of the Blue Box will be able to put on certain Northern countries, forcing them e.g. to agree to cap and reduce current expenditures under this Box. A potential indicator for the long-term direction of the process could be the current efforts by the European Commission to make its direct (compensatory) payment schemes eligible for the Green Box and thereby preparing itself for "a life without the Blue Box".

⁴⁸ See ICTSD Doha Analysis Report, January 2002, pages 9-10.

⁴⁹ The incentive for doing so will increase the further AMS (and maybe also Blue Box spending) needs to be reduced.

APPENDICES

APPENDIX A: Country Groupings

Country Grouping			
<i>Cairns Group</i>	<i>Transition Economies</i>	<i>Small Island Developing States</i>	<i>European Union</i>
Argentina Australia Bolivia Brazil Canada Chile Colombia Costa Rica Fiji Guatemala Indonesia Malaysia New Zealand Paraguay Philippines South Africa Thailand Uruguay	Albania Bulgaria Croatia Czech Republic Estonia Georgia Hungary Kyrgyz Republic Latvia Lithuania Mongolia Slovak Republic Slovenia Reflects: G/AG/NG/W/57 G/AG/NG/W/58	Antigua and Barbuda Barbados Belize Dominica Grenada Jamaica Saint Kitts and Nevis Saint Vincent Grenadines Trinidad and Tobago Suriname Mauritius Reflects: G/AG/NG/W/96 G/AG/NG/W/97 G/AG/NG/W/100	Austria Belgium-Luxemburg Denmark Finland France Germany Greece Ireland Italy Netherlands Portugal Spain Sweden United Kingdom
<i>Like Minded Group</i>	<i>ASEAN</i>	<i>AFRICAN GROUP</i>	<i>EFTA</i>
Cuba Dominican Republic El Salvador Haiti Honduras Kenya [India] [Nigeria] Pakistan Sri Lanka Uganda Zimbabwe Reflects: G/AG/NG/W/14 G/AG/NG/W/37 G/AG/NG/W/102	Brunei Darussalam Cambodia Indonesia Laos Malaysia Myanmar Philippines Singapore Thailand Viet Nam Reflects: G/AG/NG/W/55	Comprises all African WTO Members Reflects: G/AG/NG/W/142	Switzerland Norway Iceland <i>Japan/Korea</i> Japan Korea <i>Other Economies</i> United States Poland Swaziland Mali Morocco

APPENDIX B: Agriculture Mandate in Doha Declaration

WORLD TRADE

WT/MIN(01)/DEC/W/1

14 November 2001

ORGANIZATION(01-5769)

MINISTERIAL CONFERENCE

Fourth Session

Doha, 9 - 14 November 2001

MINISTERIAL DECLARATION

...

AGRICULTURE

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

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

...

APPENDIX C: 26 March 2002 Work Programme

**Programme March 2002 – March 2003 under Paragraphs 13 and 14
of the Doha Development Agenda****Special Session Committee on Agriculture****26 March 2002**

The negotiations under this programme shall build on the negotiating proposals and submissions worked on by participants over the last two years and be based on paragraphs 13, 14 and the other relevant provisions of the Doha Ministerial Declaration.

The negotiations shall be conducted in accordance with the following schedule:

- (i) Informal Special Session 17-19 June 2002, Formal Special Session 20 June 2002⁵⁰: Export Competition (including export restrictions) – Technical elaboration of detailed possible modalities, including rules-related elements.
- (ii) Informal Special Session 2-3 September 2002, Formal Special Session 4 September 2002: Market Access – Technical elaboration of detailed possible modalities, including rules-related elements.
- (iii) Informal Special Session 23-25 September 2002, Formal Special Session 27 September 2002*: Domestic Support – Technical elaboration of detailed possible modalities, including rules-related elements.
- (iv) Informal Special Session 18-20 November 2002, Formal Special Session 22 November 2002*: Matters that require follow-up from previous meetings.
- (v) Informal/Formal Special Session 22-24 January 2003: Comprehensive and substantive review of possible modalities, including rules-related elements. This review will take place on the basis of an overview paper to be prepared by the Chairperson and to be circulated by 18 December 2002.
- (vi) Informal/Formal Special Session 24-28 February 2003: Consideration of the first draft of modalities for further commitments. (Draft to be prepared and circulated in advance of the Special Session.)
- (vii) Informal/Formal Special Session meetings 25-31 March 2003*: Establishment of modalities as a basis for the subsequent submission of comprehensive draft schedules. (Draft to be prepared and circulated in advance of this Special Session.)

* Meetings held in the same week as regular meetings of the Committee on Agriculture.

In accordance with paragraph 13 of the Doha Ministerial Declaration special and differential treatment for developing countries shall be an integral part of all elements of the negotiations under this programme. Non-trade concerns will be taken into account in these negotiations as provided for in the Declaration.

The Chairperson will report to the formal Special Session meetings on the work undertaken in the Informal Special Session and to the TNC on each Formal Special Session meeting.

It is also understood that throughout the period covered by this programme the Special Sessions will be complemented by informal consultations, including consultations between Members and consultations under the direction of the Chairperson. The issues to be taken up in these consultations will not necessarily follow the order set out above in the programme of meetings. As for the consultations by the Chairperson due regard will be given to sufficient advance notice, to transparency and to the schedule of meetings in other WTO bodies.

APPENDIX D: Press Release for NTC-IV Ministerial Meeting

Rome, 14th June 2002**Press Release for NTC-IV Ministerial Meeting**

Further commitments in the WTO need to address non-trade concerns

The Doha Ministerial Declaration includes the provision that non-trade concerns will be duly covered in the WTO negotiations on agriculture. The participants in the Ministerial meeting held in Rome on 14th June stressed their determination that this commitment will be fully honoured. Every country has a legitimate right to pursue non-trade objectives such as strengthening the socio-economic viability and development of rural areas, food security and environmental protection. These objectives cannot be achieved by market forces alone. In the modalities for further commitments that will be established next March in the WTO Agricultural Negotiations, non-trade concerns of both developing and developed countries are elements of vital importance to be duly taken into account in order to establish an agricultural trading system which is fair as well as market oriented. Each country must therefore be able to accommodate such concerns through a variety of instruments.

54 Ministers and Representatives from Members and Observers of WTO gathered in Rome to coordinate their views on the part that non-trade concerns should play in the WTO negotiations on agriculture. The meeting was organised by the European Commissioner for Agriculture, Mr. Franz Fischler, Mr. Tsutomu Takebe, Minister of Agriculture of Japan, Mr. Kim Dong-Tae, Minister of Agriculture from the Republic of Korea, Mr. Anil Kumarsingh Gayan, Minister of Foreign Affairs and Regional Co-operation of Mauritius, Mr. Lars Sponheim, Minister of Agriculture of Norway and by Switzerland, and attended by another 48 Ministers and representatives from Members and Observers comprising developed countries, economies in transition, custom territories and developing countries including least-developed countries, land-locked countries and small island developing states, all of whom have a keen interest in securing their systems of agriculture in the context of the multilateral trading system.

After the adoption of Doha Ministerial Declaration, the negotiations on agriculture have now entered the crucial phase of the establishment by 31 March 2003 of the modalities for further commitments on market access, domestic support and export competition. In this context, Ministers focused their discussion on policy measures and instruments to address non-trade concerns, in particular rural development, food security and protection of the environment, as well as the scope of modalities which should be designed to duly cover non-trade concerns, building on the outcome of the NTC Conferences held in Ullensvang, Norway in July 2000, in Mauritius in May 2001 and in Doha in November 2001.

Ministers underlined the diversity of situations both with respect to their priorities and production conditions, and that a one-size-fits-all approach will not be appropriate to

address non-trade concerns, but shared their genuine interest in ensuring that further trade reform should be pursued in harmony with the safeguard of legitimate non-trade concerns.

On rural development, while the priorities of various countries are diverse, all the countries need to preserve or develop the economic and social environment necessary to maintain rural population. Agricultural activity plays an important role in this endeavour.

On food security, all countries have to ensure food security for their people, through a mixture of domestic production, imports and, where appropriate, public stockholding.

On environment all countries reaffirmed the importance of agriculture for issues such as conservation of biological diversity, maintenance of farmed landscapes, clean energy and protection against disasters.

Reaffirming their commitment to strengthening the multilateral agricultural trading system through the continuation of the reform process as foreseen in Article 20 of the Agreement on Agriculture and the Doha Declaration, Ministers emphasised that these non-trade concerns cannot be adequately addressed without domestic agricultural production, and that the multilateral rules need to acknowledge and secure, through a variety of instruments, the continued coexistence of various types of agriculture in both high- and low-potential areas based on each country's specific conditions and historical and cultural background.

It was also recognised that addressing non-trade concerns calls for resources and that, for vulnerable developing countries, in particular least-developed countries, land-locked countries, small island developing states and vulnerable economies in transition, preferential market access is a key means to obtaining these resources.

APPENDIX E: List of Participants of NTC-IV Ministerial Meeting

Albania (M) ⁵¹	Hungary (M)	Senegal (M)
Angola (M)	Iceland (M)	Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) (M)
Armenia (A) ⁵²	Israel (M)	Slovak Republic (M)
Bahrain (M)	Japan (M)	Slovenia (M)
Bangladesh (M)	Jordan (M)	Suriname (M)
Barbados (M)	Kazakhstan (A)	Switzerland (M)
Benin (M)	Korea (M)	Tanzania (M)
Botswana (M)	Latvia (M)	Tunisia (M)
Bulgaria (M)	Lithuania (M)	Turkey (M)
Burundi (M)	Madagascar (M)	Yugoslavia (A)
Cote d'Ivoire (M)	Malta (M)	
Cyprus (M)	Mauritania (M)	
Czech Republic (M)	Mauritius (M)	
Democratic Republic of Congo (M)	Mongolia (M)	
Estonia (M)	Mozambique (M)	
Ethiopia (O) ⁵³	Namibia (M)	
European Community (M)	Norway (M)	
Fiji (M)	People's Republic of China (M)	
Gabon (M)	Poland (M)	
Ghana (M)	Russia (A)	
Guinea (M)	Rwanda (M)	
Guyana (M)	Saint Lucia (M)	

⁵¹ WTO Member.

⁵² Country acceding to WTO.

⁵³ WTO observer.