

Annex A

Framework for Establishing Modalities in Agriculture

Participants reaffirm their commitment to the objectives for and the mandate on agriculture as set out in paragraph 13 of the Doha Ministerial Declaration. Participants recognize that reforms in all areas of the negotiations are inter-related. Participants agree to conclude the work to establish modalities for the further commitments, including operationally effective provisions for special and differential treatment for developing countries and taking into account non-trade concerns as referred to in paragraph 13, within the timeframe specified in paragraph 4 of the Cancún Ministerial Text on the basis of the following framework:

Domestic Support

1. The Doha Ministerial Declaration calls for “substantial reductions in trade-distorting domestic support”, shall achieve substantial reductions in trade-distorting support ~~significantly larger than in the Uruguay Round~~; that will result in all developed countries Members having the higher trade-distorting subsidies making greater efforts.

Reductions shall take place under the following parameters:

1.1. Reduce the Final Bound Total AMS in the range of [...]% - [...]%. Product-specific AMS shall be capped at their respective average levels during the period [...].

~~1.2.~~ The issue of reduction of product-specific AMS remains under negotiation. In case of products, that exceed []% of the world exports of that product, additional disciplines shall be negotiated.

~~1.2~~ 1.3 Reduce *de minimis* by [...]%.

~~1.3~~ 1.4 Article 6.5 of the Agreement on Agriculture will be modified so that Members may have recourse to the following measures:

(i) direct payments if:

- such payments are based on fixed areas and yields; or
- such payments are made on 85% or less of the base level of production; or
- livestock payments are made on a fixed number of head.

(ii) support under 1.3(i) shall not exceed ~~5%~~ 2.5% of the average total value of agriculture production in the 2000-2002 period by [...]. Subsequently, such support shall be subject to a substantial annual linear reduction of [...]% for a further period of [...] years, with a view to its phasing-out.

~~1.4~~ 1.5 The sum of allowed support under the Total AMS, support under paragraph 1.3 above and *de minimis* in 2000 shall be subject to a cut of at least [...]%, resulting in an effective reduction, ~~{including a substantial initial cut of [...]% in the first year of implementation}~~.

~~1.5~~ 1.6 Green Box ~~criteria~~ disciplines on direct payments, shall be ~~reviewed~~ strengthened with a view to ensuring that Green Box measures have no, or at most minimal, trade-distorting

effects or effects on production.

Special and differential treatment

- 1.6 Having regard to their rural development, food security and/or livelihood security needs, developing countries shall benefit from special and differential treatment, including lower reductions of trade-distorting domestic support ~~under paragraphs 1.1, 1.3 and 1.4 above,~~ longer implementation periods and enhanced provisions under Article 6.2 and the Green Box.
- 1.7 Developing countries shall be exempt from the requirement to reduce *de minimis* domestic support.

Market Access

2. The Doha Ministerial Declaration calls for “substantial improvements in market access.” ~~Negotiations should therefore provide increased access opportunities for all and in particular for the developing countries.~~ To achieve this, commitments shall be based on the following parameters:
- 2.1 The formula applicable for tariff reduction by developed countries shall be a blended formula under which each element will contribute to substantial improvement in market access for all products. The formula shall be as follows:
- (i) [...] % of tariff lines shall be subject to a [...] % ~~average tariff cut and a minimum of [...] %;~~ for each of these import-sensitive tariff lines market access increase will result from a combination of tariff cuts and/or TRQs creation or expansion.
 - (ii) [...] % of tariff lines shall be subject to a Swiss formula with a coefficient [...].
 - (iii) [...] % of tariff lines shall be duty-free.
- ~~{The resulting simple average tariff reduction for all agricultural products, excluding item 2.1(iii), shall be no less than [] %}~~
- 2.2 For the tariffs ~~lines~~ that exceed a maximum of [...] %, developed-country participants shall either reduce them to that maximum, or ensure effective additional market access ~~in these or other areas through a request offer process that could include~~ through the expansion or creation of TRQs or other measures. ~~{Within this category, participants shall have additional flexibility under conditions to be determined for a very limited number of [] products to be designated on the basis of non trade concerns that would only be subject to the provisions of paragraph 2.1 above.}~~
- 2.3 The issue of tariff escalation will be addressed by applying a factor of [...] to the tariff reduction of the final processed product in case its tariff is higher than the tariff for the product in its primary form.
- 2.4 In-quota tariffs shall be reduced by [...] % and TRQs expanded by a [] % of domestic consumption. Other terms and conditions of any TRQ expansion/opening remain under negotiation.
- 2.5 ~~The use and duration of the special agricultural safeguard (SSG) remain under negotiation.~~ The conditions and timetable for the elimination of the SSG for

developed countries shall be negotiated.

Special and differential treatment

- 2.6 Having regard to their rural development, food security and/or livelihood security needs, developing countries shall benefit from special and differential treatment, including lower tariff reductions and longer implementation periods.
- 2.7 The formula applicable for tariff reductions by developing countries shall be as follows:
- (i) [...] % of tariff lines shall be subject to a [...] % average tariff cut and a minimum of [...] %, ~~for these tariff lines market access increase will result from a combination of tariff cuts and TRQs.~~ Within this category, developing countries shall have additional flexibility under conditions to be determined to designate Special Products (SP) which would only be subject to a linear cut of a minimum of [...] % and no new commitments regarding TRQs; however, where tariff bindings are very low (below [...] %) there shall be no requirement to reduce tariffs.
 - (ii) ~~[...] % of tariff lines shall be subject to a Swiss formula with a coefficient of [...].~~ [...] % of tariff lines shall be subject to a [...] % average tariff cut and a minimum of [...] %;
 - (iii) ~~[...] % of tariff lines shall be bound between 0 and 5%, taking into account the importance of tariffs as a source of revenue for developing countries.~~ [...] % of tariff lines shall be subject to a [...] % average tariff cut and a minimum of [...] %.

The resulting simple average tariff reduction for all agricultural products shall not be more than [] % of the simple average tariff reduction required in paragraph 2.1.

In implementing tariff reductions under paragraphs 2.7(ii) and 2.7(iii) above, developing countries should benefit from an additional implementation period of [...].]

- 2.8 The applicability and/or extent of the provisions of paragraph 2.2 above to developing countries remain under negotiation, taking into account their rural development needs.
- 2.9 A special ~~agricultural~~ safeguard mechanism (SSM) shall be established for use by developing countries subject to conditions and for products to be determined.
- 2.10 All developed countries shall ~~will seek to~~ provide duty-free access for at least [...] % of imports from developing countries ~~through a combination of MFN and preferential access,~~ including particularly all tropical and other products referred to in the preamble of the Agreement on Agriculture.
- 2.11 Participants undertake to take account of the importance of preferential access for developing countries. The further considerations in this regard will use as reference ~~be based on~~ paragraph 16 of the revised First Draft of Modalities for the Further Commitments (TN/AG/W/1/Rev.1 refers).]

Export Competition

3. The Doha Ministerial Declaration calls for “reductions of, with a view to phasing out, all

forms of export subsidies.” To achieve this, disciplines shall be established in a parallel manner and without prejudice to the provisions of Article 10.1 of the Agreement on Agriculture on export subsidies, export credits, export state trading enterprises, and food aid programs, ~~—Reduction commitments shall be applied in a parallel manner according to the following parameters:~~

- 3.1 With regard to export subsidies:
- Members commit to eliminate export subsidies for products of particular interest to developing countries. A list of these products shall be established for the purpose of tabling comprehensive draft Schedules. Elimination of the export subsidies for these products shall be implemented over a [...] year period.
 - For the remaining products, Members shall commit to reduce, with a view to phasing out, budgetary outlays and export quantity ~~allowances~~ commitments for export subsidies, over a period of [...] years.
- 3.2 With regard to export credits, export credit insurance and export guarantees programmes:
- Members shall commit to eliminate, over the same period as in the first indent of paragraph 3.1 the trade-distorting element of export credits through disciplines that reduce the repayment terms to commercial practice ([...] months), for the same products in the first indent of paragraph 3.1 in a manner that is equivalent in effect.
 - For the remaining products, a reduction effort, with a view to phasing out, that is parallel to the reduction in the second indent of paragraph 3.1 in its equivalent effect for export credits shall be undertaken.
 - Commitments undertaken under paragraph 3.2 shall not prejudice members rights in the DSU.
- 3.3 Without prejudging the outcome of the negotiations, reductions of, with a view to phasing out, all forms of export subsidies mentioned in paragraphs 3.1 and 3.2 will occur on a schedule that is parallel in its equivalence of effect on export subsidies and export credits.
- 3.4 The provisions related to the reductions of, with a view to phasing out, all forms of export subsidies under paragraphs 3.1, 3.2 and 3.3 above shall apply equally to all forms of export subsidies related to or provided, directly or indirectly, to, by or through export state trading enterprises.
- 3.5 Additional disciplines shall be agreed in order to prevent commercial displacement through food aid operations.
- 3.6 ~~The An~~ end date for phasing out of all forms of export subsidies remains under negotiation shall be negotiated.
- 3.7 Strengthening of Article 12 of the Agreement on Agriculture on export prohibitions and export restrictions will be addressed in the negotiations.

Special and differential treatment

- 3.8 Developing countries shall benefit from longer implementation periods for reductions of, with a view to phasing out, all forms of export subsidies.
- 3.9 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 of Article 9.4 of the Agreement on Agriculture.
- 3.10 Participants shall ensure that the disciplines on export credits to be agreed shall make appropriate provision for differential treatment in favour of least-developed and net food-importing developing countries as provided for in paragraph 4 of the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries.
- 3.11 Developing countries shall also benefit from more flexible disciplines in the context of paragraph 3.7 above.

Least-developed countries

4. Least-developed countries shall be exempt from reduction commitments. Developed countries ~~{should}~~ {shall} provide duty-free and quota-free market access for products originating from least-developed countries.

Recently acceded Members

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

Other

6. ~~The Peace Clause will be extended by [...] months.~~
7. Subject to the provisions of the framework set out in paragraphs 1 to 6 above, relevant parts of the Revised First Draft of Modalities (TN/AG/W/1/Rev.1 refers) and the related questions specified in the report of the Chairman of the Committee on Agriculture Special Session to the TNC (TN/AG/10 refers) as well as the contributions Members have submitted thus far will serve as reference documents for [any] ~~the~~ further work ~~[on modalities], including with respect to the following issues of interest but not agreed: conversion of non ad valorem tariffs into ad valorem, single desk export privileges, export taxes, proposals for flexibility for certain groupings, certain non trade concerns, implementation period, sectoral initiatives, inter-pillar linkages, continuation clause, GIs, and other detailed rules.]~~