WTO Agriculture Negotiations: The Way Ahead

By Harsha Vardhana Singh

Introduction

Given the present impasse in Doha Round negotiations, the general perception would be that the way ahead is difficult at best, and unpredictable as well, given the prevailing gaps for several negotiating positions. The present situation can only be overcome by sharing ideas which may provide some basis for moving ahead, in a complex negotiation where solutions to issues in one area are linked to those in another and where WTO Members have different views, even regarding the point of departure for further negotiations in agriculture.

Any consideration of the way ahead has to combine the fact that there is a prevailing Chair’s text on the table, which a number of Members want to be the frame of reference, while certain Members wish to embark with flexibility in relation to this text. One possible way of doing this is to try and identify the key points that need to be addressed for the negotiations to get substantive re-engagement and momentum. This short paper focuses on this aspect and provides some suggestions, with the objective of adding to the available ideas and perspectives, to promote effective negotiations in the Doha Round agriculture negotiations.

Section 1 discusses the oft-repeated point that the multilateral trading system is very important, but does so by emphasizing some important developments that show that, without an inclusive and vibrant multilateral trading system, it will be very difficult to sustain trade and investment relations and reduce conflicts. At present, new impetus in negotiations has been given through free trade area (FTA) negotiations, in some cases through mega-FTAs which cover large shares of global trade and investment. Three such negotiations are the Transpacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP), and the Regional Comprehensive Economic Partnership (RCEP). Section 2 discusses some features of these negotiations, which could be considered as background for exploring ideas for the way ahead in Doha Round agriculture negotiations. Section 3 provides some suggestions for the way ahead for agriculture negotiations.

1. Some important developments to keep in mind

The global trading system is likely to evolve in important ways due to several factors. Here we mention only a few, i.e. the broad trends for agriculture trade, and the growth of the middle class.

The OECD-FAO Agriculture Outlook 2014–2023 states:

“Historic trade patterns are expected to continue; the leading export regions will maintain their positions and only a few newcomers are expected to enter the trade arena during the next decade. The Americas will strengthen their position as the dominant export regions, both in value and volume terms. … Net trade in value terms in Latin America and the Caribbean and in
North America will grow more than 2% p.a. between 2011-13 and 2023. This growth is mainly fuelled by increased exports of high-value commodities such as meat, ethanol, sugar, oilseeds and cotton. … Western Europe will display on average a negative trade balance with flat exports … The rapidly growing population and shift in diets in Africa result in increasing food imports. The largest demand for imports is generated in Asia, which is expected to exhibit a trade deficit in 2023 for all commodities except rice, vegetable oils and fish. India will remain one of the leading exporters for cereals and rice and is also expected to be a major exporter of meat and cotton keeping it in an overall trade surplus situation for agricultural products.”

The existing exporters are thus likely to consolidate their position and Asian net imports would increase significantly. The forecast for net exports of certain products in 2023 is shown in Table 1. For most of these products, North America will be a net exporter. In contrast, Asia & Pacific and Africa will be significant net importers for these products.

### Table 1. Estimated volume of net exports in 2023 (‘000 tons)

<table>
<thead>
<tr>
<th></th>
<th>Wheat</th>
<th>Rice</th>
<th>Coarse Grains</th>
<th>Oilseeds</th>
<th>Protein Meals</th>
<th>Beef</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>46,206</td>
<td>2,419</td>
<td>53,574</td>
<td>58,323</td>
<td>8,963</td>
<td>42</td>
</tr>
<tr>
<td>Asia &amp; Pacific</td>
<td>-49,963</td>
<td>21,083</td>
<td>-63,999</td>
<td>-98,449</td>
<td>-27,206</td>
<td>-2,105</td>
</tr>
<tr>
<td>Africa</td>
<td>-44,987</td>
<td>-18,052</td>
<td>-22,851</td>
<td>-3,494</td>
<td>-4,461</td>
<td>-877</td>
</tr>
<tr>
<td>Pork</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poultry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fish</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skimmed Milk Powder</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sugar</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cotton</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
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<th>Oilseeds</th>
<th>Protein Meals</th>
<th>Beef</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>3,621</td>
<td>4,710</td>
<td>-3,406</td>
<td>826</td>
<td>-4,511</td>
<td>2,562</td>
</tr>
<tr>
<td>Asia &amp; Pacific</td>
<td>-2,625</td>
<td>-5,234</td>
<td>9,625</td>
<td>-1,241</td>
<td>-17,342</td>
<td>-7,164</td>
</tr>
<tr>
<td>Africa</td>
<td>-714</td>
<td>-2,192</td>
<td>-3,323</td>
<td>-387</td>
<td>-11,684</td>
<td>1,620</td>
</tr>
</tbody>
</table>


To a significant extent, this will be caused by the huge increase in the middle class. Estimates suggest that, during this decade, an additional 1 billion people will join the middle class, a rise from about 1.8 billion in 2010 to over 3 billion people in 2020.²

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1 OECD/FAO (2014), pages 44 and 45.

2 See Ernst & Young (2013).
Table 2. The middle class: size and distribution

<table>
<thead>
<tr>
<th></th>
<th>2009 (Million)</th>
<th>2009 (Global Share)</th>
<th>2020 (Million)</th>
<th>2020 (Global Share %)</th>
<th>2030 (Million)</th>
<th>2030 (Global Share %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>338</td>
<td>18 %</td>
<td>333</td>
<td>10 %</td>
<td>322</td>
<td>7 %</td>
</tr>
<tr>
<td>Europe</td>
<td>664</td>
<td>36 %</td>
<td>703</td>
<td>22 %</td>
<td>680</td>
<td>14 %</td>
</tr>
<tr>
<td>Central &amp; South America</td>
<td>181</td>
<td>10 %</td>
<td>251</td>
<td>8 %</td>
<td>313</td>
<td>6 %</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>525</td>
<td>28 %</td>
<td>1,740</td>
<td>54 %</td>
<td>3,228</td>
<td>66 %</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>32</td>
<td>2 %</td>
<td>57</td>
<td>2 %</td>
<td>107</td>
<td>2 %</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>105</td>
<td>6 %</td>
<td>165</td>
<td>5 %</td>
<td>234</td>
<td>5 %</td>
</tr>
<tr>
<td>World</td>
<td>1,845</td>
<td>100 %</td>
<td>3,249</td>
<td>100 %</td>
<td>4,884</td>
<td>100 %</td>
</tr>
</tbody>
</table>

Source: Ernst and Young (2013), Table 1

Table 2 shows that, by the end of this decade, the size of North America's middle class will remain about the same as last decade, but Asia Pacific's middle class will more than triple compared to 2009. For the Middle East and Africa, there is a 62% expected increase of the middle class during this decade.

The large increase in the middle class in these regions has important implications for food imports and other trade and investment opportunities. In this context, it is noteworthy that the same regions that have a relatively large rise in the middle class are also those that will have significant net imports of most commodities. With these developments over the coming years, it is essential to maintain stable and growing trade and investment links among these regions and others, in order to maximize opportunities and reduce conflicts.

In such a situation with much higher economic interdependence among different regions, we need an inclusive system for trade regulation, and not a fragmented one limited to a relatively small number of nations. If we consider the three mega-regional negotiations (the TPP, the TTIP and the RCEP), there are only 49 countries in these three negotiations, out of a total of 160 WTO Members.

The only inclusive system is the multilateral trading system, i.e. the WTO, and it is essential to make progress and conclude the WTO negotiations to develop this inclusive system. Without such progress, the trade regulation system likely to come into place through mega-FTAs could lead to tensions with those excluded from these agreements.

The mega-FTA negotiations are, nonetheless, a reality that is moving forward. Therefore, it is important to consider what they may give rise to and whether they have some relevant features that could help bring about a greater possibility of positive movement in the Doha negotiations themselves. This is crucial for the way ahead in the case of agriculture negotiations in the Doha Round.

2. Some relevant features of mega-FTAs

The mega-FTAs cover a large part of global trade and investment. Thus, they are effectively developing the roadmap for the trade regulation regimes of the future, with results that involve
deeper integration and WTO-plus disciplines or liberalization. It is worthwhile to consider some of these developments with an objective of learning lessons for a possible way ahead for agriculture negotiations.

The first lesson, which is also evident in discussions with negotiators, is that these negotiations have changed the background for the Doha Round negotiations. Since they are large FTAs, and since some of them expect other nations to also join over time, they have an impact on the WTO negotiations. To some extent, this situation is responsible for the view that the existing Chair's text cannot be the starting point at this time.

Another implication is that, since some of the key demandeurs in the negotiations are aiming at much more ambitious results in these FTAs, they would tend to seek more, rather than less, for a satisfactory solution in the WTO negotiations. Therefore, everyone would be expected to do more than for the previous understanding.

### 2.1 Membership of the mega-FTAs

Table 3 shows the membership of these mega-FTA negotiations. Economies with a membership of more than one FTA are shown in the upper part of the Table, and the lower part shows those with only one mega-FTA membership. The United States is a member of the TPP and the TTIP, which implies that there will be a link with the TPP and TTIP negotiations through the common membership of the US. Though the EU is only in TTIP, it has links through its FTAs with countries in the TPP and the RCEP (indicated in Table 3). The only country that is a member of only one mega-FTA and presently has no FTA negotiation with the EU is China. However, China is negotiating Bilateral Investment Agreements with the EU and the United States. Therefore, for each of these countries, the starting point of disciplines is higher than the present situation in the WTO.

<table>
<thead>
<tr>
<th>TPP</th>
<th>RCEP</th>
<th>TTIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia, Brunei Darussalam#</td>
<td>Australia, Brunei Darussalam#</td>
<td>United States</td>
</tr>
<tr>
<td>Japan, Malaysia#, New Zealand</td>
<td>Japan, Malaysia#, New Zealand</td>
<td></td>
</tr>
<tr>
<td>Singapore, South Korea*#, United States, Vietnam#</td>
<td>Singapore#, South Korea*#, Vietnam#</td>
<td></td>
</tr>
<tr>
<td>Peru, Canada#, Chile#, Mexico#</td>
<td>Myanmar#, Cambodia#, China</td>
<td>EU</td>
</tr>
<tr>
<td></td>
<td>India#, Indonesia#, Laos#, Philippines#, Thailand#</td>
<td></td>
</tr>
</tbody>
</table>

* = Keen to join the TPP, and process for membership has begun
# = FTA with the EU, negotiated or under negotiation

Three other points are relevant for considering the future evolution of these FTAs and the economies that would move towards adopting their trade and investment disciplines.

- A key feature of ASEAN is to have a common economic space within the group. At present, four ASEAN Members are negotiating the TPP; a total of eight RCEP Members are involved with the
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TPP. It is likely to be a matter of time before the others in ASEAN also move towards the TPP to maintain the common economic space.

- Some economies in Latin America have close economic links with the United States. In view of the changing landscape of trade policy regulation and market access conditions, they would have some incentive to move towards the system adopted by the US-centric large FTAs.

- There is some evidence to show that China has an interest in joining large FTA negotiations that are likely to determine global trade and investment disciplines. China has applied for membership in the Trade in International Services Agreement (TISA). It is possible that together with the TTIP, the TPP will become an agreement of such scope, and thus be of interest for China.

2.2 Implications and features of these FTAs: Market access

It is noteworthy that the market access negotiations in mega-FTAs are taking place in agriculture, industry and services. This has important implications for providing a basis for a package of results that may be required to move the process within agriculture, and even outside agriculture.

For market access, the results in these mega-FTAs are likely to be more ambitious than for the WTO negotiations. If the countries in these mega-FTAs are willing to open their markets to large economies and competitive exporters within the FTA context, there should be a basis to consider a similar possibility within the WTO negotiations. This idea would gain further credence from two points made in the previous section.

One, that some of these countries will be major agricultural importers over time. Two, we need to give strength and momentum to the multilateral trading system if we have to avoid difficulties and conflicts in trade and investment over time. An important way of doing so would be for the system to move ahead, as much as possible, in the direction of the mega-FTAs. Otherwise, we will have fragmented and exclusionary market regulatory mechanisms, one FTA-oriented and the other one multilateral.\(^3\) In this regard, another important point is that the FTAs would not be able to deal with two of the three important issues in agriculture negotiations: they would not be able to deal with domestic support and export competition, both areas of concern that need to be addressed to provide a level playing field for the global economy.

2.3 Implications and features of these FTAs: Flexibilities

The FTAs are not only oriented towards greater market opening or higher levels of disciplines, but also include certain flexibilities that would help achieve results with relatively higher ambition. One is to provide for some flexibilities for sensitive items, say in the form of tariff rate quotas in agriculture. Another is to have longer transition periods to ease the burden of implementing the results of the negotiations. Yet another is a new concept of safeguards, such as that proposed for auto industry. For instance, World Trade Online reports that, in meetings parallel to the Hanoi TPP meeting:

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\(^3\) The most significant part of mega-FTAs is their focus on non-tariff measures or standards. However, to the extent that market access negotiations in WTO are in terms of tariffs, we could consider that the conditions arising from FTA negotiations may make it easier for tariff results to be achieved in the WTO.
“under discussion is a “tariff delay mechanism” proposed by the United States as one way to deal with non-tariff barriers to U.S. auto exports that may pop up in Japan, sources said. Such a mechanism would allow the U.S. to delay the phase-out of U.S. auto tariffs if a dispute settlement panel found that Japan had imposed new non-tariff barriers on U.S. auto exports, although the details of how it would work are unclear. The Ford Motor Company has pushed for this tariff delay mechanism to be included in a U.S.-Japan auto deal.”

Yet another safeguard being discussed is:

“negotiations on autos cover Japanese non-tariff measures in the auto sector as well as a special safeguard under which the U.S. auto tariff, slated to be phased out for Japan in TPP, would snap back to its previous level if auto imports from Japan surge after implementation.”

(Emphasis added)

Such a safeguard could be combined with concepts of tariff rate quotas (being discussed in the Japan-US agriculture negotiations in the TPP), or some other mechanism that provides comfort to both sides in the negotiations. In this context, mechanisms within the WTO itself could be used, i.e. those that combine transition periods, flexibilities, and greater obligations based on some objective criteria. Examples include provisions from the Agreement on Subsidies and Countervailing Measures, such as Articles 27.4, 27.5, and 27.6.

3. The way ahead for WTO agriculture negotiations

There are three possible options for the way ahead for WTO agriculture negotiations: one is to have a high ambition result, another is to have a low ambition result, and a third is to have no result.

The third option would leave the international trading system fragmented and non-inclusive, causing a high potential for difficulties along the way as well as a divisive global trading system. The second option could be a slippery slope where low ambition could unravel a number of previously achieved...
results, even though they were agreed without any formality of sealing them as final conclusions. As low ambition becomes the goal, each WTO Member may begin revising its negotiating position and seek more flexibility. Furthermore, at a time when the mega-FTAs are heading towards new frontiers of trade regulation, a “low ambition result” would in effect not be much different from “no result”.

However, low ambition is a relative term, and anything lower than a high ambition could be termed as low ambition. We believe that a “somewhat more than a low ambition” result would be of substantive interest for WTO Members and the system as a whole. The idea is to have a result that can provide a basis for a more ambitious and wider framework of rules and disciplines that better reflect the present day concerns, such as those included in the FTAs. Of course, this would require political will and engagement. Hopefully, some ideas in the post-Bali package could generate a momentum for greater engagement. We propose more than one option in this context, for the way ahead.

To get a more meaningful result in agriculture negotiations, it is important to bear in mind that a significant package of issues will have to be addressed. Many perceive that, in the previous serious effort at seeking a solution, the main obstacles included the inability of nations to agree on non-agricultural market access (NAMA) – particularly sectorals –, domestic support, and some aspects of market access in agriculture (special safeguard mechanism, market access provided by some emerging economies).\(^9\)

Let us consider these issues within the background of mega-FTAs and the negotiating issues in agriculture.

The three mega-FTAs (the RCEP, the TPP, and the TTIP) will result in changes in market access. A common focus of the three mega-FTAs and the EU FTAs is that there is a large extent of market opening for industrial tariffs. If we consider these FTAs, it becomes apparent that they provide a basis for providing considerable progress in the NAMA negotiations, including in areas covered by some of the sectoral initiatives for NAMA. To that extent, a basis for positive engagement could be envisaged for NAMA by those participating in the mega-FTAs.\(^10\)

Against this background, NAMA negotiations could focus mainly on sectorals, i.e. for selected product areas tariff reductions over and above what is reflected in the previous formula and flexibilities. To begin with, this may only be offered by those Members who are part of the three mega-FTAs. An added provision would be a long transition period for implementing these additional changes, both because they require additional structural adjustment for the countries concerned and because the mega-FTA negotiations will take time to be implemented. One option for the transition period could be that provided for in the safeguards agreement, i.e. eight years for developing countries.\(^11\) It could also be ten years, as in the case of the Multifiber Arrangement’s adjustment into the multilateral trading system.

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9 There were of course many other issues as well, but these are mentioned as significant examples of the main stumbling blocks.

10 Here, we only consider market access in NAMA and agriculture, and not services. Much of the negotiating focus for services is taking place in TISA. However, some progress could still be made within the WTO. Further success in agriculture and NAMA negotiations could also contribute to progress in services, and vice versa.

11 Article 7.3 of the Agreement on Safeguards (WTO 1994).
Another option is to simplify the modalities and have an average reduction of bound tariffs, with some accompanying conditions for negotiations through request and offer, flexibilities and some results that better reflect the movements in mega-FTAs for a limited categories of products (akin to sectorals).

Since a package of results is important for achieving the overall conclusion, any result for NAMA would have to be accompanied by progress in agriculture negotiations. Among the three pillars in agriculture, export competition could be considered as being different from domestic support and market access.

Export competition is an issue for which the solution is technically contained in the Chair's text (Rev. 4). The modality is accepted or is not really questioned, though some fine-tuning may be required to reach the solution. Further, this issue is essentially between the EU and the United States, i.e. it resembles issues that were previously handled in the multilateral trading system. Thus, export competition should be brought centre stage and efforts begun to address it. This will provide a major input towards creating greater engagement, trust and confidence in a system where these are presently missing.

Of course, since the system involves all participants, credibility required for progress in the negotiations will also involve the effective participation of Members other than the EU and the United States. This means some contribution will be needed, especially in the areas of market access and domestic support. Particularly for these two areas, with the ongoing FTAs, the US' recent Farm Bill and the global concerns about food security issues, we can see that consensus on existing provisions in the Chair's text may not be possible without some additional movement for market access and domestic support.

On agriculture market access, the progress made in mega-FTAs, similar to the case for NAMA, would provide a base for further engagement. There would be two additional factors that could add to the vitality of these negotiations. One, sources suggest that there was an agreement with respect to the market access provided by India. This could be revived and considered for final conclusion. In the case of China, one possibility is to consider tariff rate quotas for specific products that would be high import items for it over time. Similar to the sensitivity addressed by Japan in the TPP, this could also be a solution for China. Table 1 above suggests, for example, that these products could be selected from coarse grains and oilseeds. Even for other commodities, there is a possibility to consider a similar tariff rate quota applied with greater market access than at present.

Combining these three ideas, i.e. mega-FTA results, additional possibilities based on earlier agreement, and likely future import demand, could provide a basis to move forward with market access negotiations in agriculture. As in the case for NAMA, these results too could be implemented over a transition period of eight to ten years.

An alternative approach could be an average reduction in bound tariffs, combining two different ideas. One is the idea contained in Footnote 2 of the Chair’s text of August 2007. The footnote stated:

“Pending final agreement on this aspect of the modalities Members may wish to keep under advisement the approach alluded to in the Chair’s Challenges paper to the effect that a basic approach analogous to the Uruguay Round could be an overall cut for developing country

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12 See also, pages 269 and 277 of OECD/FAO (2014) for figures of expected imports by China in 2013.
Members of 36 per cent with a minimum cut of 15 per cent on each line. This could also be somewhat moderated both for the Members referred to in footnote 3 below and for RAMs.\textsuperscript{13}

The other is to combine the above with some additional flexibilities that capture those present in the most recent text of the Chair.

This brings us to domestic support, an area for which similar to export competition, disciplines are not likely to arise within FTAs. This important issue has to be addressed within the multilateral trading system. Here, we focus on the issue of Overall Trade-Distorting Support (OTDS).

Some of the main issues that arise in the present market and policy situation\textsuperscript{14} are that the United States may tend towards a higher level of support than previously discussed in the negotiations, and India and China would not like any reduction in their de minimis support. A contrasting view among some Members is that the amount of subsidies allowed for the large developing economies is high and should be reduced through additional disciplines. Therein lies a trilemma that will need to be addressed to move forward.

For the EU and the United States, the present situation and the disciplines in the Chair’s text are as follows:

\textbf{Table 4. OTDS levels before and after reduction for the EU and the US}

<table>
<thead>
<tr>
<th></th>
<th>OTDS Starting Level</th>
<th>OTDS After Reduction</th>
<th>Percentage Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU ( € millions)</td>
<td>110,345.6</td>
<td>22,077</td>
<td>80</td>
</tr>
<tr>
<td>US ( US$ millions)</td>
<td>48,224.2</td>
<td>14,424</td>
<td>70</td>
</tr>
</tbody>
</table>

The OTDS reduction does not apply to economies such as China and India.\textsuperscript{15} The upper limit on their domestic support is given by their de minimis levels of support: 8.5\% for China and 10\% for India. The de minimis amounts for India and China would keep increasing with a rise in value of production levels. An illustrative comparison of the de minimis levels and the current levels of support is provided in Table 5.\textsuperscript{16}

\textsuperscript{13}  TG/AG/W/4 and Corr.1, dated 1 August 2007, page 11, footnote 2 (Falconer 2007).

\textsuperscript{14}  Though this is a limited list of main issues, we feel that, if there is movement on these matters then the negotiations could get positive momentum.

\textsuperscript{15}  The analysis is conducted in terms of China and India, but the conceptual principles would apply equally to others.

\textsuperscript{16}  The amounts reflect the support items that are subject to reduction or not covered by flexibilities.
We can see that the amount presently spent on support is considerably less than the *de minimis* levels. In this background, there are three possible ways of looking at the domestic support situation.

One, that to the extent that there is a solution to the food security issue, either as a waiver or a permanent solution, this could also pave the way for considering some additional discipline being adopted in view of the likely gap between the allowed level of domestic support and the actual level of domestic support. However, this move would not be consistent with China and India’s red line about no change in *de minimis*. Also, this situation would not provide any respite to the United States if it wants an increase in its OTDS level compared to that mentioned in the Chair’s text.

Two, the trade-offs may be considered more in terms of what is given in market access, rather than within domestic support itself. In this case, China and India’s red lines would be maintained, but the respite for United States would not be there.

Three, the OTDS for the United States may be increased by a small percentage. However, this would not meet the concerns of those who want some reduction in the *de minimis*.

To address the trilemma we mentioned above, elements from all these three may need to be considered. Which solution could bridge these three?

Would a change in the reference period provide a basis to give a result addressing these concerns? Could this be combined with an OTDS amount that would be allowed to increase if the country providing the support were faced with an increase in imports (something like a safeguard mechanism)? Could there be a flexibility that combines the ideas (not the exact disciplines) underlying the flexibilities contained in Annex VII and Article 27.4 of the Agreement on Subsidies and Countervailing Measures, i.e retain the *de minimis* levels proposed in the latest draft text for the larger developing countries, so long as a threshold level, defined in absolute terms, is not breached. This could be combined with a long implementation period while trade-distorting support is gradually phased out, to reach a new lower agreed threshold level. Flexibilities for emerging economies could be linked with an increase in OTDS for the developed economies, for example as follows.

- if the OTDS for developed economies is increased by 10 per cent in the draft text, there would be no change in the present conditions for *de minimis* support in large developing countries;
- if the OTDS for developed economies is not increased, a 10 per cent decrease could be envisaged in the *de minimis* level of support for developing countries, in the event that these Members surpass a threshold level of support defined in absolute terms;
- Possible adjustment within this range of 0 to 10 percent;

<table>
<thead>
<tr>
<th>Country</th>
<th>De Minimis Level (USD billion)</th>
<th>Actual Support Level (USD billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>63.75</td>
<td>15.6 (2008) (converted using the current exchange rate)</td>
</tr>
<tr>
<td>India</td>
<td>31</td>
<td>2.3 (2010)</td>
</tr>
</tbody>
</table>

Table 5. De minimis and actual support levels for China and India
• A transition period of ten years could be provided to those developing countries covered in the provision requiring reduced support;

• The domestic support to cotton must be reduced in each situation and be implemented earlier than the other results.

In the section on Domestic Support in the Chair's text, paragraph 7 shows that developing economies that have to reduce their OTDS would have to implement a reduction of about 36.7 per cent over an eight year period, i.e. two-thirds of 55 per cent. A 10 per cent reduction for certain developing economies mentioned above, would imply one-third of the change in comparison to the two-thirds mentioned in paragraph 7. This estimate could be adjusted, say one-sixth or any such ratio, to help bring about a possibility of convergence.

Thus, different possible configurations of solutions could be tested, focusing on the key objectives to be addressed in the context of domestic support. With a positive movement on food security issues, bringing export competition centre stage, and reaping the likely developments for market access as progress takes place within mega-FTAs, we may see a greater willingness to seek conclusion within domestic support as well.

Conclusion

The global situation is significantly changing and, within the next five or so years, the increased economic inter-linkages will create a greater need for the multilateral trading system. Otherwise, there may be trade-related conflicts that could expand to cover other areas as well. With the ongoing negotiations in mega-FTAs and identifying certain issues on which relatively less effort may be required, it may be possible to move forward with the negotiations within the WTO. The way ahead for agriculture negotiation is linked to a package of issues that can be addressed through options that may emerge as the FTA negotiations provide greater possibility of movement in market access. In addition, export competition needs to be addressed with greater focus because of a possibility of progress and since prices are likely to decline over the years for a number of agricultural products.\textsuperscript{17} There is an opportunity and a need to get disciplines on export competition now, and it should not be missed. No FTA can address this issue. With the momentum gained in these areas, there is also the possibility of greater engagement in domestic support, another issue that cannot be addressed by FTAs. For maintaining the strength and vitality of a system that is necessary to allow growth and opportunities to continue to progress more peacefully, it is essential to focus on these possibilities now to move agriculture negotiations towards their conclusion.

\textsuperscript{17} See OECD/FAO (2014), pages 254 and 255.
References


Falconer, Crawford. 2007. "Chairperson's text." Committee on Agriculture, Special Session, WTO.


