

**Committee on Agriculture
Special Session**

NEGOTIATIONS ON AGRICULTURE

OVERVIEW

I. INTRODUCTION

1. Under the programme adopted by the Special Session of the Committee on Agriculture on 26 March 2002, the Chairman is required to prepare an overview paper on the negotiations on agriculture as a basis for a comprehensive and substantive review of possible modalities, including rules-related elements, to be conducted at a Special Session to be held on 22-24 January 2003 (TN/AG/1 refers). In accordance with this mandate, the Chairman submits herewith this overview on his own responsibility.

2. The paper is based on the work carried out during the series of formal and informal Special Sessions of the Committee on Agriculture and related inter-sessional consultations conducted in conformity with the mandate provided by Ministers at Doha and the programme thereunder as adopted by the Special Session of the Committee on Agriculture on 26 March 2002. Paragraphs 13 and 14 of the Ministerial Declaration adopted on 14 November 2001 provide:

"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."

3. Keeping this mandate in mind, the purpose of the paper is to summarize the main features and results of the work that has been carried out to date with a view to providing a basis for working towards the establishment of modalities for the further commitments, including provisions for special and differential treatment, by no later than 31 March 2003 as mandated by Ministers.

4. The main body of the paper contains a general assessment of the state of play in the negotiations and identifies key issues which require immediate attention and work as there is an urgent need for convergence. This part of the paper has been prepared with the intention to help focus further work. It is not intended to limit the negotiations in any way, nor to remove from the table proposals and inputs which are not referred to. The tables in the Annex to this paper provide a fuller picture of possible modalities as proposed by participants in the negotiations. Both the main body of the paper and the Annex include, as an integral part of all elements of the negotiations, options and proposals for special and differential treatment for developing countries. Proposals related to non-trade concerns and how to take them into account are also reflected, either explicitly or implicitly as part of certain modalities for further reform.

5. The tables in the Annex present, issue by issue, relevant modality parameters in Column 1. In Column 2, preliminary working hypotheses are identified for a number of parameters based on the Chair's assessment that there is already broad support, although not necessarily consensus, for a particular modality. As is evident from the tables, in many cases this column has been left blank. In Column 3, variations of, or additions to, the working hypotheses are presented, reflecting specific modalities proposed by participants. In cases where no working hypotheses are identified, the modalities listed in Column 3 are presented as a basis for establishing modalities for the further commitments within the mandated time-frame.

6. It should be noted that this paper aims at providing an overview rather than a compendium of every input made by participants. It does not claim to be exhaustive. The paper is without prejudice to the position of participants or to their interpretation of WTO agreements, particularly the Agreement on Agriculture, and is not intended to prejudge, in one way or another, the scope and substance of the negotiations or their results.

II. GENERAL OBSERVATIONS

7. In the course of the informal and formal Special Sessions as well as consultations conducted in conformity with the work programme adopted by the Committee on Agriculture on 26 March 2002, participants have had the opportunity to propose and discuss in a comprehensive and substantive manner possible modalities for further commitments, including rules-related elements. They have generally used this opportunity in an engaged and constructive way.

8. Today, just over three months before these modalities are to be established, many proposals are on the table, much technical work has been carried out and, in a general sense, the positions of the various participants at this stage have emerged. The work conducted in the Special Sessions and in complementary technical consultations has produced substantial progress regarding some issues, such as tariff quota administration and export credits. With respect to some other issues, a trend towards an emerging consensus has already become evident for some parameters (see Column 2 of the Annex).

9. Despite this progress, a substantial number of important issues remain outstanding. Key points include:

- There are still wide gaps in the positions among participants regarding fundamental aspects of the further reform programme. Thus, while participants have stressed their commitment to

the Doha mandate, including its timetable, there are still significant differences in the interpretation of the level of ambition that is implied in the wording of paragraph 13 of the Ministerial Declaration.

- While a number of participants have submitted fully-fledged possible modalities for further commitments in the areas of market access, export competition and domestic support, opponents of these proposals have not yet specified their counter-proposals at a corresponding level of quantitative detail. This has made it difficult to move the process forward.
- There are still differences in views, including views among developing countries, with regard to appropriate provisions for special and differential treatment, although there is already significant support for exempting least-developed countries from reduction commitments.
- Small island developing states and other vulnerable developing countries have proposed modalities to address their specific problems. Net food-importing developing countries have called for the implementation of the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries. A group of transition economies is proposing special flexibility in their favour in some areas, albeit for the most part flexibility of a transitory nature. Likewise, newly-acceded countries have made similar proposals, referring, *inter alia*, to paragraph 9 of the Doha Ministerial Declaration. Some of these participants are also making the point that their per capita income is lower than that of certain developing countries and they suggest that the question of eligibility to future S&D provisions should be made subject to objective economic criteria.
- There are also still different views regarding the extent and the ways to take into account non-trade concerns that have been raised in the negotiations, such as food security, livelihood and poverty alleviation, rural development, protection of the environment, food safety, and animal welfare. In the context of the discussions on these matters, several developing countries have made the point that their non-trade concerns are of a fundamentally different dimension than those of developed countries.
- Finally, some participants have established a link between their willingness to move on agriculture and the accommodation of their ambitions in other areas of the negotiations.

10. The efforts in this crucial phase benefit from the fact that much of the technical groundwork has already been achieved. What is now required is to concentrate on the key aspects, keeping in mind that the negotiations on agriculture do not end at the end of March 2003 and that there will be time thereafter to address matters not directly required for the purpose of establishing draft Schedules of further commitments. Specific issues and questions which require immediate attention and work include those which are highlighted in subsequent sections of this paper.

11. Participants are reminded that the time remaining for the establishment of modalities is severely limited. In view of the wide gaps in positions, this paper should signal the start of a new phase in our operations. In this phase, participants need to move beyond the restatement of well-known national positions. Therefore, in considering the following paragraphs, participants are urged not simply to identify the option which corresponds to their position but to think creatively about avenues for convergence.

III. MARKET ACCESS

12. In the area of market access, the negotiations have covered five issues: tariffs, tariff quotas, tariff quota administration, special safeguard measures, importing state trading enterprises, and other market access issues.

Tariffs

13. The main outstanding issue in this area is the formula and quantitative targets for the further tariff reductions that are to be applied. A variety of proposals have been made in this regard. The two approaches commanding the widest support are (i) a harmonization formula for tariff reductions, and (ii) the Uruguay Round formula. As for the first approach, a Swiss formula with a coefficient of 25 has been proposed to be implemented over 5 years, subject to special and differential treatment for developing countries (one version includes also a 50 per cent down-payment in the first year of implementation; another version includes, as a second step, the elimination of all tariffs by a date to be agreed). Proponents of the Uruguay Round formula have not yet submitted figures for the average and minimum rates of reductions that they would like to see applied for developed and developing countries, respectively, nor for the length of the implementation period.

14. With a view to moving the negotiations on this matter forward, participants should consider, *inter alia*, the following questions:

- (a) What scope is there to modify the specific proposals regarding the Swiss formula so as to accommodate the need for flexibility, including flexibility to address non-trade concerns, that has been stressed by other participants?
- (b) What reduction rates and implementation period have proponents of the Uruguay formula in mind? What scope is there to modify the Uruguay Round formula so as to accommodate the aspiration by other participants to harmonize tariff structures and to address tariff peaks and tariff escalation?
- (c) More generally, failing a consensus on either of these two approaches in the proposed or a modified form, is there any other modality, whether in terms of some combination of the two formulae or a different, third formula, that could be acceptable as a compromise? What would be the details, including the reduction rates and implementation period?

15. In considering these questions, the modalities for special and differential treatment provisions have also to be addressed, drawing on the wide range of proposals on the table. One issue is the proposal to provide for a greater improvement of opportunities and terms of access for agricultural products of particular interest to developing country participants. Another issue is whether the formula to be applied for developing countries would be the same or some modified version of the formula to be applied by other participants (or another formula). Third, whatever the formula, there is already wide support for special and differential treatment in the form of a longer implementation period and lower cuts, but the details remain to be determined. Other issues include whether, as proposed by some developing country participants under the concept and as part of a Development Box, special and differential treatment should be extended to include (i) exemption from reduction commitments for certain agricultural products which are of strategic importance in pursuing food security, product diversification, rural development and employment, and poverty alleviation, and (ii) flexibility to adjust, without compensation, low tariff bindings.

16. Finally, there is the question whether tariff forms should be simplified by allowing *ad valorem* tariffs, or *ad valorem* and specific tariffs, only.

Tariff Quotas

Volume

17. Many, though not all participants consider the expansion of import volumes under existing tariff quotas to be an essential element of the further market access commitments and several of them have proposed specific modalities to this effect. This issue cannot be seen in isolation from the size of the tariff reductions that are to be negotiated. Key outstanding questions include:

- (a) Whether the final bound tariff quota volumes as specified in Members' Schedules shall be expanded by [x] per cent and, if so, what value for x would be appropriate?
or
- (b) Whether import volumes under tariff quotas shall be expanded by an amount equal to [y] per cent of domestic consumption in a recent representative period for the respective product concerned and, if so, what value for y would be appropriate? *or*
- (c) Whether import volumes under tariff quotas shall be expanded to [z] per cent of domestic consumption in a recent representative period for the respective product concerned and, if so, what value for z would be appropriate?

Concrete proposals for the values of x, y, z as well as the implementation period are on the table.

18. There is also a proposal to update the base for minimum access tariff quotas by using the latest domestic consumption data and to abolish additional access volumes due to delayed tariffication.

19. Issues under special and differential treatment include (i) whether a lower rate of expansion and a longer time-frame can be agreed, and (ii) whether a fixed share of the annual tariff quota volume shall be reserved for small-scale or limited commodity exporters.

In-quota tariffs

20. The main issue is whether in-quota tariffs should be reduced to zero, as a number of participants have proposed, or whether another formula should be applied, for example the same formula as the one to be used for the reduction of out-of-quota tariffs. Some participants consider that in-quota tariffs should not be reduced at all, or, in the case of developing countries, should be maintained at levels according to their development, trade, food security and financial needs.

Tariff Quota Administration

21. Improvement of tariff quota administration is a widely shared objective. Further technical work is required to build on the progress made in this area, including with regard to special and differential treatment.

Special Safeguard Measures

22. Participants have to decide whether the special safeguard provisions of Article 5 of the Agreement on Agriculture should be eliminated and, if so, (i) whether with immediate effect upon entry into force of the further market access commitments or by some future date, and (ii) whether for all countries or only for developed countries.

23. Other or alternative questions are:

- (a) In case Article 5 is to be maintained beyond the date of the entry into force of the further market access commitments, whether the existing product coverage should be maintained or modified and, if modified, for all countries or only for developing countries?
- (b) Whether, in the framework of special and differential treatment, a new safeguard mechanism and/or countervailing measure for developing countries should be established and, if so, for all agricultural products or for a limited number of products such as strategic/food security/livelihood products? Detailed possible modalities for such provisions have been submitted.
- (c) Whether a proposed Food Security Mechanism should be established?
- (d) Whether a new safeguard mechanism for seasonal and perishable products should be established, as proposed by some participants?

Importing STEs

24. Further technical work is required in this area, particularly regarding (i) strengthened transparency and notification requirements, and (ii) possible other disciplines over and above and/or supplementing existing WTO provisions, e.g. in respect of trading rights. Some participants are not convinced that there is a need to add to existing disciplines.

25. In the context of special and differential treatment, a key issue is whether and, if so, to what extent or under what conditions developing countries would be exempted from any new disciplines.

Other Market Access Issues

Preferential schemes

26. Several participants have stressed the need for preferential schemes to remain predictable, meaningful and secure and have proposed specific modalities to this effect. Issues to be decided include whether participants agree (i) to provide legal security for existing non-reciprocal preferential trading arrangements, for example in the form of grandfathering, (ii) to maintain or improve the margins of preference, for example by reducing developed countries' tariffs for products of export interest to, and originating in, vulnerable countries by a maximum 15 per cent and by phasing out in-quota tariffs, (iii) to provide longer implementation timeframes for tariff reductions affecting traditional preferences in respect of products which are of vital export importance for developing country beneficiaries of such preferences, (iv) to make preferential schemes binding commitments and, if so, which of these schemes, and/or (v) to extend to small island developing states the facility currently available for LDCs that enables special WTO compatible market access arrangements with developed countries on terms that do not require extension of reciprocal preferences. There is also the proposal to extend the scope of duty and quota free access for agricultural products in terms of importing countries granting such access and/or beneficiaries.

27. In the discussions of proposals designed to address the specific situations or problems of some developing country groupings, some other developing countries have raised the concern that such differentiation results in further discrimination among developing countries.

Other issues

28. Specific proposals have also been submitted concerning:
- (a) *Geographical indications.* While some participants consider that their specific proposals regarding geographical indications (protection of the right to use geographical indications or designations of origin for agricultural products; effective protection against usurpation of names for agricultural products and foodstuffs; consumer protection and fair competition) should be dealt with in the framework of the negotiations on agriculture, other participants insist that the TRIPS Council is the appropriate forum for pursuing this matter.
 - (b) *Food safety.* While some participants consider that their specific proposals regarding the clarification of issues linked to the precautionary principle/related to Article 5.7 of the SPS Agreement should be dealt with in the framework of the negotiations on agriculture, other participants insist that the SPS Committee is the appropriate forum to address food safety issues.
 - (c) *Labelling.* While some participants consider that their specific proposals regarding improved consumer information and criteria and guidelines for the implementation of mandatory labelling for food and agricultural products should be dealt with in the framework of the negotiations on agriculture, other participants insist that the TBT Committee is the appropriate forum to address labelling issues.
 - (d) A group of developing countries has made the proposal for a commitment by developed countries to earmark their technical and financial assistance, either in their Schedules or by pooling resources, for the improvement of developing countries' capacity in the areas of SPS, TBT and Rules of Origin in cooperation with the relevant standard-setting organizations and other agencies involved in trade-related capacity building.
29. Further, there is the question whether the specific flexibility proposals in the area of market access put forward, respectively, by transition economies and by newly-acceded countries are acceptable, either in the proposed or some amended form.
30. Finally, it should be noted that several participants have indicated their interest in negotiating sectoral initiatives as a supplement to the improvements in market access resulting from the generally applicable modalities to be established.

IV. EXPORT COMPETITION

31. In this area, the negotiations have covered export subsidies, export credits, food aid and exporting state trading enterprises. In addition, proposals to strengthen the existing provisions on export restrictions, particularly with a view to taking account of food security concerns, have also been addressed.

Export Subsidies

32. The main outstanding issues are to determine:
- (a) *The depth of the further reform in this area.* Several specific modalities have been submitted that would result in a phasing out of budgetary outlays and quantity commitments from the final bound levels as specified in Members' Schedules, including, in one version, a down-payment of 50 per cent on the first day of the

implementation period. There are also proposals to use again the Uruguay Round formula, with proponents of this approach, however, not yet having proposed specific reduction targets, except to indicate that relatively deeper cuts in budgetary outlays could be a feature of further commitments.

- (b) *The implementation period for the further commitments.* Concrete proposals are on the table as part of the phase-out modalities referred to above.
- (c) *Special and differential treatment.* What extra time for implementing the further commitments would be accorded developing countries? Can it be agreed that the special and differential treatment provision of Article 9.4 of the Agreement on Agriculture should be maintained until such time as the further commitments on export subsidies are fully implemented? What about proposals to modify/clarify the scope of Article 9.4? There is also a proposal to extend the flexibilities for developing countries under Article 27 of the SCM Agreement to agricultural products.

Export Credits

33. The establishment of strengthened disciplines for officially supported export credits, export credit guarantees and insurance programmes is a widely shared objective. Further technical work is required to build on the progress made in this area with regard to a rules-based approach, including special and differential treatment provisions, taking particularly into account paragraph 4 of the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme for Least-Developing and Net Food-Importing Developing Countries and drawing on the specific inputs that have been submitted.

34. There is also the proposal to make the subsidy component of any officially supported export credits, export credit guarantee and insurance programmes subject to reduction in line with the reduction of export subsidies.

Food Aid

35. Participants generally agree (i) that nothing in the WTO should hinder the delivery of food aid in cases of real need ("genuine food aid"), and (ii) that the objective of WTO disciplines in this area is to prevent food aid being used as an instrument of surplus disposal and circumvention of export subsidy commitments. Key questions include:

- (a) Whether participants can agree on criteria for types of food aid which would be deemed to be genuine food aid?
- (b) Whether, as a wide range of participants propose, food aid should be given in fully grant form only and, if so, whether this strengthened discipline should apply as from the entry into force of the further commitments in agriculture or should be phased in over a transitory period (a specific modality to this effect has been proposed)?
- (c) Whether there should be a commitment not to reduce food aid volumes when prices are high?
- (d) Whether there should be a prohibition for recipient countries to re-export food aid?

- (e) Whether a proposed international food stockholding system should be established as a tool to deal with serious temporary food crises in developing countries, particularly least-developed countries and net food-importing developing countries?
- (f) What additional transparency requirements should be established in this area?

36. There are also proposals that food aid not in conformity with the new disciplines (i) should be subject to the new export subsidy commitments (food aid involving concessional prices) or the new export credit disciplines (food aid involving concessional loans), or (ii) should be prohibited. The importance of technical assistance to reduce long-term dependence on food aid has also been noted.

Exporting State Trading Enterprises

37. Further technical work is required in this area, particularly regarding (i) strengthened transparency and notification requirements, and (ii) possible other disciplines over and above and/or supplementing existing WTO provisions, e.g. with respect to matters such as trading rights, price-pooling and cross-subsidization. Some participants consider that there is no need to add to the existing disciplines.

38. In the context of special and differential treatment, a key issue is whether and, if so, to what extent or under what conditions developing countries would be exempted from any new disciplines.

Export Restrictions

39. Some participants consider that export restrictions and, in particular, export taxes are not part of the negotiations on agriculture. In their view, these instruments serve as counter-measures for tariff escalation in their export markets and, in case of export taxes, also as an important source of government revenue. While not necessarily contesting the latter points, other participants have submitted specific proposals to strengthen the existing disciplines under Article 12 of the Agreement on Agriculture. Outstanding issues include:

- (a) Whether export restrictions shall be prohibited and, if so, (i) for all Members, or (ii) for all Members except developing countries?
- (b) Alternatively, whether export restrictions should be converted into export taxes and subsequently bound in Members' Schedules and subjected to reduction commitments?
- (c) Whether export taxes shall be prohibited and, if so, (i) for all Members except developing countries, or (ii) for all Members except developing countries unless they are net exporters of the foodstuffs concerned (an alternative special and differential treatment proposal that has been submitted would allow developing countries to apply an export tax subject to strict conditions)?

V. DOMESTIC SUPPORT

40. In domestic support, the negotiations have covered the Green Box, Article 6.2 of the Agreement on Agriculture, the Blue Box and the Amber Box.

41. While some participants consider that the structure of the domestic support chapter of the Agreement on Agriculture should remain as is, changes to the existing structure have also been suggested, particularly proposals (i) to establish just one General Subsidies Box, (ii) to reduce the number of Boxes to two, one for trade-distorting domestic support and another one for minimally or non-trade-distorting support, and (iii) to differentiate reduction commitments under the Amber Box depending on the export or domestic market orientation of the domestic production that is being

supported. There is also a proposal to establish an overall ceiling for all domestic support measures other than those in conformity with the provisions of paragraphs 2, 3 and 4 of Annex 2 of the Agreement on Agriculture.

Green Box

42. There are three categories of proposals so far as possible changes in the provisions of Annex 2 of the Agreement on Agriculture ("Green Box") are concerned: (i) proposals to tighten the Green Box provisions, including proposals to remove certain direct payments from the Green Box or to subject such payments to reduction commitments, (ii) proposals to enhance existing Green Box provisions or to add new types of programmes or payments under the Green Box, and (iii) proposals to clarify certain provisions of Annex 2. Key questions include:

- (a) Whether, as proposed by some participants, a ceiling on either total or a group of selected Green Box expenditures should be established and, if so, for all countries or for developed countries only and at what level(s)?
- (b) Whether, as proposed by some participants, certain direct payments should become subject of reduction commitments and, if so, which of the direct payments proposed to this effect should be subject to such discipline and what should be the reduction rate and implementation period?
- (c) Which of the proposed amendments or additions to the provisions of Annex 2 of the Agreement on Agriculture should be included so as to better address the needs and cover the programmes of developing countries?
- (d) Whether other proposed amendments or additions to the provisions of Annex 2 of the Agreement on Agriculture should be included, such as compensatory payments for higher animal welfare or other production standards or payments to address other non-trade concerns?

Article 6.2 of the Agreement on Agriculture

43. There is wide support among participants to maintain and enhance the provisions of Article 6.2 of the Agreement on Agriculture. A variety of specific proposals have been submitted with a view to broadening the scope of Article 6.2 (see relevant part of the Annex of this paper).

- Which of the proposed additions to Article 6.2 should be included?

Blue Box

44. There are essentially three fundamental questions so far as the Blue Box is concerned:

- (a) Should Article 6.5 of the Agreement on Agriculture be retained as is? *or*
- (b) Should Article 6.5 be eliminated and, if so, with immediate effect upon entry into force of the further commitments or by what other date? *or*
- (c) Should payments in conformity with the provisions of Article 6.5 be capped and/or become subject to reduction commitments and, if so, what should be the reduction rate and implementation period?

Amber Box

45. The key outstanding issue is to decide on the reduction method and target for further AMS commitments. There are essentially four types of specific proposals in this regard. An example of the first type is a formula to reduce the scheduled final bound AMS commitment to zero within 5 years, subject to a 50 per cent down payment in the first year of implementation (developed countries). In one variant of this formula, the reduction commitments would be on a product-specific basis and *de minimis* support would be also reduced with a view towards its elimination within an agreed period of time. An example of the second type is a formula to reduce non-exempt domestic support (including domestic support defined by the AMS and production-limiting support as defined by Article 6.5 of the Agreement on Agriculture) to 5 per cent of the Member's average value of total agricultural production in the base period 1996-98 within five years. The formula also includes a provision to eliminate all non-exempt domestic support by a date to be established in the negotiations. Under this formula, *de minimis* domestic support would not be included in the calculation of non-exempt domestic support. As for the third type, the use of the Uruguay Round formula has been proposed. Under the fourth type, the Amber Box would be split, as noted above, into two parts with separate reduction commitments. Special and differential treatment is an integral feature of most formulae proposed.

46. With respect to the Amber Box, there are three key questions:

- (a) Which of the above approaches should be retained and under what conditions in terms of reduction rates, implementation period and the *de minimis* provisions?
- (b) Whether or not the further reduction commitments should be made on a product-specific basis?
- (c) What specific flexibility provisions should be integrated in the form of special and differential treatment for developing countries? There is already wide support for special and differential treatment in the form of a longer implementation period and lower cuts, but the details remain to be determined. Other issues include whether developing countries should have the flexibility to aggregate product-specific domestic support within *de minimis* levels?

47. Other issues raised in the Amber Box context include possible modalities (i) to improve the AMS/EMS methodology (anti-circumvention provision; AMS calculation on the basis of a stable currency/basket of currencies), and (ii) to strengthen the transparency and notification requirements for Amber Box measures. The issue of adjustment for inflation has also been raised by some participants, while other participants consider the existing provisions of Article 18.4 of the Agreement on Agriculture to be sufficient.

48. Finally, there is the question whether the specific flexibility proposals in the area of domestic support put forward, respectively, by a group of transition economies and a group of newly-acceded countries are acceptable, either in the proposed or some amended form.

VI. LEAST-DEVELOPED COUNTRIES

49. The key issue is whether it can be agreed that in accordance with the provisions of the second sentence of Article 15.2 of the Agreement on Agriculture, least-developed countries should not be required to undertake reduction commitments in the areas of market access, export competition and domestic support. As noted in paragraph 9 above, there is significant support for such a modality.

VII. FINAL OBSERVATIONS

50. It is evident from this overview that, as matters stand, a major negotiating effort and flexibility on all sides will be of the essence in order to be able to establish modalities within the mandated time-frame. Participants will recall that under the agreed work programme a first draft of the modalities for further commitments is to be considered at the Special Session to be held on 24-28 February 2003. This first draft and the subsequently established modalities must, of course, faithfully reflect the mandate from Doha quoted in paragraph 2 above. Efficient use of the limited time available is essential.

51. The time has therefore come to take the political and operational decisions required which will enable participants collectively to put together a modalities package in accordance with the mandate given by Ministers. In working towards this end, the ground rule will continue to be that nothing is agreed until everything is agreed, not least in view of the fact that there are linkages between the areas of market access, export competition and domestic support and, indeed, with the negotiations under the Doha Development Agenda as a whole.

ANNEX

Tariffs

Working Hypotheses		Variations/Additions
Product coverage	As specified in Annex 1 of the Agreement on Agriculture.	(i) Product coverage to be comprehensive with no <i>a priori</i> exclusions.
Base rates	All agricultural tariff lines to be reduced from the final bound rates specified in Section I of Members' Schedules of concessions.	<p>(i) Tariffs shall be reduced from the applied rates on 1 January 2000, or from the final bound rates specified in Members' Schedules, whichever is lower.</p> <p>(ii) Reduction commitments shall be defined on a non-aggregated, product-specific, basis in accordance with the harmonized system nomenclature of 2002.</p>
Formula/targets for further commitments, implementation period, staging <i>Harmonisation formula</i>		<p>(i) All developed countries' agricultural tariffs shall be reduced from their final bound levels in 5 years by means of a Swiss formula with a coefficient of 25. A down-payment shall be made in the first year equivalent to 50 per cent of the total cut. The remainder will be phased-in in equal annual instalments over the remaining 4 years. Where an importing country imposes additional levies, import charges, taxes or mark-ups, these are to be added to the initial tariff and subject to the same reduction commitments.</p> <p>(ii) All agricultural tariffs except in-quota tariffs shall be reduced from applied rates on 1 January 2000 or final bound levels, whichever is lower, in 5 years, by means of a Swiss formula with a coefficient of 25. Reductions shall be made in equal annual instalments. Members shall agree to eliminate all agricultural tariffs by a date to be established in these negotiations.</p> <p>(iii) Developed countries' agricultural tariffs shall be reduced in equal annual instalments from their bound levels in a 6-year period commencing in 2005. A ceiling of 50 per cent <i>ad valorem</i> shall be defined. All tariff lines exceeding 50 per cent shall first be reduced from their bound levels to that ceiling over 3 years. Further reductions will be then applied from Uruguay Round final bound tariffs, or from the ceiling, whichever is lower, on the basis of a 50 per cent simple average rate of reduction, with a minimum rate of reduction of 20 per cent per each tariff line.</p> <p>(iv) A two-stage reduction process to apply to all agricultural tariff lines over a 5-year implementation period. Tariffs above a specific level (e.g. 30 per cent) shall be reduced to that level. A harmonising formula shall then be applied on the resulting tariffs. A Swiss formula with a coefficient of 25 can be applied in both stages.</p>

Tariffs

	Working Hypotheses	Variations/Additions
<p><i>Harmonisation formula (cont'd)</i></p>		<p>(v) All tariff lines where a single stage tariff exists to be subject to a formula reduction resulting in a substantial reduction in tariffs and a greater harmonization of tariff levels. In addition:</p> <ul style="list-style-type: none"> (a) tariff escalation between primary and processed forms of the same product shall be eliminated; (b) any single stage tariff for which the final bound duty would be above a certain threshold should be converted into a two-stage tariff, with a specified quantity of duty free in-quota access to be provided; (c) a formula approach to reduce single stage tariffs in equal annual instalments could be supplemented by additional provisions to ensure that the final outcome provides real market access improvements. Options for such additional provisions include: <ul style="list-style-type: none"> - establishing a maximum tariff binding for each single stage tariff line at the end of the implementation period; - establishing a minimum total reduction for each tariff line from the original Uruguay Round base tariff, the total reduction being the sum of Uruguay Round cuts plus those undertaken in these negotiations.
<p><i>Uruguay Round formula</i></p>		<ul style="list-style-type: none"> (i) All agricultural tariffs shall be reduced by means of the Uruguay Round formula, with a minimum average reduction per tariff line and an average reduction across all agricultural tariff lines [in equal annual instalments]. (ii) A Uruguay Round type of formula shall be used with specific flexibility provisions applying to Members with transition economies. Flexibility provisions would include, <i>inter alia</i>: <ul style="list-style-type: none"> (a) the establishment of a minimum rate of reduction for each tariff line: such reduction shall only apply where the bound rate is below a peak level (to be defined); (b) the application of lower, or selective tariff reductions on sensitive items; (c) exemption from further reduction in the case of low tariff bindings as well as exemption from complying with an overall simple average reduction commitment.

Tariffs

	Working Hypotheses	Variations/Additions
<i>Request/offer</i>		<p>(i) Taking into account the provisions of paragraph 9 of the Doha Ministerial declaration recognising the extensive market access commitments undertaken by Members in their accession process, recently-acceded Members shall reduce their agricultural tariffs on the basis of a request/offer approach, while, firstly, exempting from the reduction the low tariffs and, secondly, allowing the selective reduction of the others. The new commitments shall not affect the implementation periods of the commitments made during the accession negotiations, the level of tariff reductions shall be lower, the implementation periods longer, and the implementation of the new commitments extended or delayed. (i.e. some pause between the term of expiration of the transitional period for accession's commitments and the beginning of implementation periods for new reduction commitments)</p>
<i>Other</i>		<p>(i) Members shall adopt a request-and-offer procedure in order to reduce tariff peaks and tariff escalation to [a level to be negotiated]. The results of these bilateral negotiations shall apply on an MFN basis. Subsequently, the Uruguay Round formula shall be applied.</p>
<i>Supplementary approaches</i>		<p>(i) The general tariff reduction modality may be supplemented by the conclusion of sectoral initiatives. Members shall participate in sectoral initiatives on a voluntary basis.</p> <p>(ii) Members may engage in sectoral initiatives provided that these complement, not substitute, the general tariff reduction formula. [The results of sectoral initiatives shall be implemented on an MFN basis.]</p> <p>(iii) The general tariff reduction modality may be supplemented by a request-and-offer procedure as a means to reach the average reduction on products of mutual interest to Members.</p> <p>(iv) The general tariff reduction modality shall not apply to [tariffed] [sensitive] products. In this case, the concerned Members shall improve market access opportunities in any of the following ways:</p> <ul style="list-style-type: none"> (a) by applying a limited tariff reduction on the products in question; (b) by opening new [duty-free]/[low in-quota duty] tariff quotas. (c) by expanding existing tariff quotas [by] [to] a certain percentage of [final bound volumes]/[current domestic consumption]. (d) by seeking to achieve gradual improvements of access through better administration of existing tariff quotas.

Tariffs

	Working Hypotheses	Variations/Additions
<p>Simplification of tariff structures</p>		<p>(i) All bound non-<i>ad valorem</i> duties shall be converted into <i>ad valorem</i> equivalents prior to the application of the tariff reduction modality.</p> <p>(ii) Members shall express their tariff bindings [and their applied tariffs] in the ways that they consider most appropriate</p> <p><u>Variant 1:</u> [...] provided that the level and the incidence of protection does not increase.</p> <p><u>Variant 2:</u> [...] However, for the purposes of these negotiations, and with a view to increasing transparency, draft offers shall reflect the real values of concessions.</p> <p>(iii) All non-<i>ad valorem</i> tariffs to be simplified to <i>ad valorem</i> equivalents. Guidelines will be agreed on a conversion methodology.</p> <p>(iv) Tariff bindings and applied tariffs to be denominated either on a specific or <i>ad valorem</i> basis. There shall be no compound, complex, or technical tariffs.</p> <p>(v) The share of non-<i>ad valorem</i> duties shall not exceed 3 per cent of the total number of agricultural tariff lines in Members' national tariff nomenclatures.</p>
<p>Initial Negotiating Rights (INRs)</p>		<p>(i) The INRs resulting from request-offer procedures between Members shall be registered in the Schedules on a tariff line basis, with a clear indication of the countries involved in the concession and the level of INR at bilateral level.</p> <p>(ii) A review clause shall apply to historical INRs as well as to INRs resulting from the present negotiations. This clause will allow Members to adapt the final bound rates on a periodical basis, with a view to preserving the economic value of the INRs in question.</p>
<p>Geographical indications</p>		<p>(i) Geographical indications to be addressed in other fora, including the TRIPS Council.</p> <p>(ii) A mechanism to be put in place (a) to guarantee effective protection against usurpation of names for agricultural products and foodstuffs; (b) to protect the right to use geographical indications or designations of origin; and (c) to guarantee consumer protection and fair competition according to the following lines:</p> <p><u>Coverage:</u> All agriculture and foodstuffs products that are designated by geographical names already protected on a national basis in the WTO Member countries as geographical indications. These products and names should be significant in terms of trade.</p>

Tariffs

Working Hypotheses		Variations/Additions
<p>Geographical indications (cont'd)</p>		<p><u>Nature of protection:</u> Members to notify a list containing geographical names and products which are significant in terms of trade and which they would like to protect against usurpation. Names accepted by Members and contained in the final list shall benefit from an enlarged and effective multilateral protection against any kind of usurpation or unfair competition or confusion of the consumer.</p> <p><u>Publication:</u> A final list containing protected names shall be <u>published</u> to facilitate the effective protection to other Members. Names may be added to the initial list under the same procedure</p>
<p>S&D <i>Product coverage</i></p>		<ul style="list-style-type: none"> (i) Developing countries shall designate the primary agricultural products that constitute the predominant staple in their traditional diet. These agricultural products shall not be subjected to the [market access modalities]/[reduction commitments.] (ii) Developing countries shall have the flexibility to exclude from the tariff reduction modalities any primary agricultural product in respect of which one or more of the following conditions apply: <ul style="list-style-type: none"> (a) the product in question is a predominant staple in the traditional diet of the developing country [and is not exported]; (b) the exclusion of the product in question reflects a food security, rural development, [product diversification] [poverty alleviation] concern; (c) substantial trade liberalization has already been undertaken for the product concerned, either as part of a structural adjustment programme sponsored by a multilateral agency, or as part of the WTO accession process. (iii) The products in respect of which new tariff bindings have been negotiated under GATT XXVIII shall not be covered by these modalities. (iv) Developing countries shall define a list of agricultural products that will be subject to further reduction commitments.
<p><i>Base rates</i></p>		<ul style="list-style-type: none"> (i) Developing countries shall be allowed to renegotiate the tariff bindings that they consider to be low, taking into account food security concerns. [In such cases, [least-developed countries], [net food-importing developing countries], [small island developing states], [landlocked countries] [single commodity exporting countries] [small-scale agricultural exporters] shall not be required to provide compensation for the upward revision of bindings on sensitive products. The relevant footnotes shall be indicated in respective schedules.]

Tariffs

	Working Hypotheses	Variations/Additions
<p><i>Reduction formula</i></p>	<p>(i) Least-developed countries to be exempt from undertaking reduction commitments.</p> <p>(ii) Developing countries to undertake lower reduction commitments implemented over longer timeframes than developed countries.</p>	<p>(i) The [net food-importing developing countries] [countries with subsistence farming] shall be exempt from further reduction commitments [during a transitional period .]</p> <p>(ii) Tariff reductions for developing countries shall be implemented from final bound tariffs in equal annual instalments over a 9-year period according to the following schedule:</p> <p>(a) initial tariffs falling in the range of 0-50 per cent inclusive shall be reduced using the Swiss formula with a coefficient of 50;</p> <p>(b) initial tariffs falling in the range 50-250 per cent shall be reduced by 50 per cent;</p> <p>(c) initial tariffs that exceed 250 per cent shall be reduced to 125 per cent.</p> <p>(iii) <u>Uruguay Round formula</u>: Lower simple average cuts and lower minimum average cut per product shall apply in the case of developing countries, in equal annual instalments.</p> <p><u>Variant</u>: The rate of reduction shall not exceed 10 per cent for sensitive products which are essential for food security in vulnerable countries.¹ The rates of reduction to be applied to products other than sensitive and very sensitive (to be specified in a negative list) shall be equal to two-thirds of those applicable to developed countries. Back-loading shall be permitted in the case of sensitive products. The timeframe for implementation shall be [10 years] [25 years for small developing vulnerable agricultural exporters.²]</p> <p>(iv) <u>In relation to formula (iii) on page 14</u>: Developing countries shall reduce their tariffs over a 10-year implementation period commencing in the year 2008. The rates of reduction shall be lower than, but no less than 50 per cent of, the rate of reduction applied to developed countries' tariffs, i.e. 25 per cent simple average reduction with a minimum rate of reduction per tariff line of 10 per cent.</p> <p>(v) The implementation period to start counting once developed country Members have substantially reduced domestic support and eliminated export subsidies.</p> <p>(vi) Developing countries shall have the flexibility to select the most appropriate formula taking into account their development needs.</p>

¹ Defined by the proponents as: least-developed countries, net food-importing developing countries, small island developing states, landlocked countries and single commodity exporting countries.

² Defined by the proponents as developing countries which face specific geographical/structural/economic rigidities consequent on very small size and physical constraints.

Tariffs

Working Hypotheses		Variations/Additions
<i>Simplification of tariff structures</i>		<p>(i) Developing countries shall be encouraged to convert their non-<i>ad valorem</i> tariffs into <i>ad valorem</i> equivalents and shall be given an adequate timeframe for this purpose.</p> <p>(ii) Developing countries shall not be required to convert their non-<i>ad valorem</i> duties into <i>ad valorem</i> equivalents.</p>
<i>Tropical products</i>	Developed country Members to take fully into account the particular needs and conditions of developing country Members by providing the fullest liberalisation of trade in tropical products.	<p>(i) [Developed country] Members shall immediately grant duty-free and quota-free MFN access to tropical products [whether in raw or in processed form] originating in developing countries. To this effect:</p> <p><u>Variant 1</u>: a list of tropical products shall be established.</p> <p><u>Variant 2</u>: the list established by the Secretariat during the Uruguay Round shall be used, with no <i>a priori</i> exclusion.</p> <p>(ii) Where the tropical product involved is a sensitive item, vulnerable importing developing countries shall endeavour to achieve a maximum tariff rate of 15 per cent <i>ad valorem</i> within a 5-year period.</p>
<i>Illicit narcotic crops</i>	Developed country Members to take fully into account the particular needs and conditions of developing country Members by improving opportunities and terms of access for products of particular importance to the diversification of production from the growing of illicit narcotic crops.	<p>(i) Developed countries shall immediately extend duty-free and quota-free access to products originating in developing countries, and their neighbouring countries, in the framework of their diversification programmes aiming at eradicating the production of illicit narcotic crops. To this effect, a list of alternative products for diversification purposes shall be established.</p>
<i>Geographical indications</i>		<p>(i) Technical assistance to be provided to developing country Members to assist them in drawing up (a) a list of agricultural products in respect of which geographical indications are to be effectively protected, and (b) their own regulatory programmes for the protection of geographical indications.</p>

Tariff quotas

Working Hypotheses		Variations/Additions
Base for further commitments	The base levels for further commitments, for both in-quota tariffs and tariff quota volumes, to be the final bound levels specified in Members' Schedules.	<ul style="list-style-type: none"> (i) The tariff quota volumes shall be established on a disaggregated, product-specific, basis. (ii) [All] [new] tariff quota access opportunities shall be based on current consumption patterns and data over a defined base period. (iii) The base levels for in-quota duties shall be the rates applied on 1 January 2000 or the final bound levels, whichever is lower. (iv) The tariff quotas which were established during the Uruguay Round in accordance with the minimum access modalities shall be revised and set at a certain percentage of the actual domestic consumption of the product in question. The base level of consumption shall be updated.
Tariff quota volume	Scheduled tariff quotas to be expanded.	<ul style="list-style-type: none"> (i) No tariff quota volume shall be reduced as a result of these modalities. In particular, existing tariff quota volumes shall not be rolled back, even if the consumption period is re-based. (ii) The expansion of market access opportunities shall be based on: [consumption data in a defined recent period] [a percentage increase from final bound tariff quota volumes.] (iii) The final bound tariff quota volumes shall be expanded by adding an amount equal to 20 per cent of current domestic consumption of the product concerned over a 5-year implementation period. A down-payment equivalent to 50 per cent of the total volume expansion shall be made in the first year. The remainder shall be phased-in in equal annual instalments. Guidelines shall be established to ensure that domestic consumption is measured accurately and consistently. (iv) The final bound tariff quota volumes shall be expanded annually by 1 per cent of base period (1986-88) domestic consumption of the product concerned over a 6-year implementation period, in equal annual instalments. (v) The final bound tariff quota volumes shall be expanded to at least 5 per cent of current domestic consumption of the product concerned in the most recent period. Members wishing to retain or establish new tariff quotas shall be responsible for providing the data justifying the volume in relation to the domestic consumption for the product concerned. (vi) All tariff quota volumes shall be increased from final bound levels by a minimum of 4 per cent per year over a 5-year period.

Tariff quotas

	Working Hypotheses	Variations/Additions
<p>Tariff quota volume (cont'd)</p>		<ul style="list-style-type: none"> (vii) The tariff quota volumes for non-cereal crops shall be expanded to 8-10 per cent of domestic consumption. The tariff quota volumes for cereals shall remain unchanged. (viii) All tariff quota volumes in developed country markets shall be increased from their final bound levels by 20 per cent over a 5-year period. (ix) The tariff quota volumes which were established during the Uruguay Round in accordance with the current access modalities shall not be increased. (x) Minimum access opportunities shall be based on the total consumption of marketed agricultural products, i.e., total national consumption less on-farm consumption. (xi) Tariff quota access for staple foods shall not be increased. (xii) The access opportunities established for products under the special treatment provisions of Annex 5 of the Agreement on Agriculture shall be reset to the same level of access as those products which were tariffed in accordance with Article 4.2 of the Agreement on Agriculture. (xiii) Minimum access opportunities shall be increased by 0.4 per cent annually for non-staple commodities.
<p>In-quota tariffs</p>		<ul style="list-style-type: none"> (i) Developed countries to phase-out all in-quota tariffs during a 5-year implementation period. (ii) Members to phase-out all in-quota tariffs from applied rates as of 1 January 2000 or final bound levels, whichever is lower, in equal annual instalments, over a 5-year period. (iii) All in-quota tariffs shall be reduced to an agreed ceiling. The reduction will be phased over a 5-year implementation period in equal annual instalments. The in-quota tariffs that are below the agreed ceiling shall remain unchanged. (iv) In-quota tariffs [shall be maintained] [shall not be reduced for sensitive products.] (v) The recently-acceded Members shall benefit from the same flexibilities as specified under <i>Tariffs</i> section, <i>Request/offer</i>, item (i).

Tariff quotas

	Working Hypotheses	Variations/Additions
<p>Other matters</p>		<p>(i) The approach for two-stage tariffs and tariff quotas shall address all of the related elements through binding rules. For example, in order to maintain the right to have tariff quotas, Members would be required to:</p> <ul style="list-style-type: none"> - eliminate tariffs within quota; - expand the size of all tariff quotas to 5 per cent of current consumption in a recent period on a product basis; - provide access for products on the same product basis; and - make commitments on over quota tariffs which take into account the extent of liberalization provided through the tariff quota. <p>(ii) Tariff-only regimes to apply at the end of the implementation period, with the exception of those tariff quotas that are maintained by mutual consent between developed and developing countries.</p> <p>(iii) A specific tariff quota commitment may be phased out if:</p> <ul style="list-style-type: none"> - the rate of tariff quota utilisation (total imports expressed as a percentage of the final access commitment) exceeds 110 per cent in the most recent 3 years; - a further tariff commitment is undertaken.
<p>S&D</p> <p><i>Tariff quota volume</i></p>		<p>(i) Developing countries shall expand tariff quota volumes from current bound levels in equal annual instalments by adding an amount equal to 14 per cent of current domestic consumption of the product concerned over a 9-year implementation period.</p> <p>(ii) Developing countries maintaining tariff quotas shall not be required to undertake further commitments.</p> <p><u>Variant:</u> The developing countries shall not be required to increase [minimum access] tariff quotas where these concern staple crops.</p> <p>(iii) The developing countries maintaining tariff quotas shall be exempted from improving market access for the agricultural products that are subsidized by developed countries.</p>
<p><i>In-quota tariffs</i></p>		<p>(i) Developing countries to phase-out or reduce in-quota duties over a 9-year implementation period.</p>

Tariff quotas

	Working Hypotheses	Variations/Additions
<p><i>In-quota tariffs (cont'd)</i></p>		<ul style="list-style-type: none"> <li data-bbox="1182 236 2040 347">(ii) [Consistently with paragraph 3 of GATT Article XXVIII <i>bis</i>] developing countries shall have the flexibility to maintain their in-quota duty bindings at levels that are consistent with their development, trade, food security, and financial needs. <li data-bbox="1182 363 2040 443">(iii) Tariff quota access opened for products of export interest to [, or originating in,] [developing countries] [least-developed countries] shall be duty free.
<p><i>Implementation period</i></p>		<ul style="list-style-type: none"> <li data-bbox="1182 491 2040 571">(i) Implementation by developing countries shall start once developed countries have substantially reduced domestic support and eliminated export subsidies. <li data-bbox="1182 587 2040 651">(ii) Developing countries shall expand their tariff quota volumes over a 10-year implementation period.

Tariff quota administration

Working Hypotheses		Variations/Additions
Principles	Methods of tariff quota allocation shall be simple, practicable, predictable, non-discriminatory and transparent.	<ul style="list-style-type: none"> (i) Tariff quotas shall be administered in ways that [ensure] [encourage] [facilitate] the full [realisation] [utilisation] of market access opportunities. (ii) All methods of allocation shall enable business decisions to be based on commercial considerations and shall not operate to restrict market access. [The administrative decisions shall reflect as closely as possible those that would be made under a tariff-only regime.] (iii) The principles governing tariff quota administration shall be elaborated based on (a) other relevant WTO agreements such as the Import Licensing Agreement; (b) relevant WTO panel findings; and (c) the review process undertaken by the Committee on Agriculture since 1995. (iv) Government intervention shall be minimal and shall not constitute a barrier to trade.
Administration methods		<ul style="list-style-type: none"> (i) All methods of tariff quota administration to comply with GATT 1994, the Agreement on Import Licensing Procedures, and Article 4.2 of the Agreement on Agriculture. [There shall be no derogation from existing GATT/WTO rules and disciplines]. (ii) Members have the right to administer their tariff quotas in the manner that they find most appropriate provided that it is not inconsistent with the disciplines to be established. There shall be no restriction on the choice of methods of tariff quota administration. (iii) Members shall develop an indicative [illustrative] [non-exhaustive] list of acceptable administration methods. (iv) The use of auctioning as a method of tariff quota administration [shall remain prohibited] [shall be explicitly permitted].
Terms and conditions of access - Supplying countries	All increases in tariff quota volumes to be made available on an MFN basis.	<ul style="list-style-type: none"> (i) The allocation of [new] tariff quotas shall not discriminate among supplying countries and shall be implemented on an MFN basis [according to GATT Article XIII]. (ii) Existing country-specific allocations shall be phased-out in equal annual instalments and tariff quota opportunities made progressively available on an MFN basis. During the transition period, any unused country-specific allocation shall also be eliminated and made available on an MFN basis. (iii) All country-specific allocations shall be replaced by transparent licensing procedures based on historical trade flows [in a recent base period]. (iv) Existing [scheduled] country-specific allocations shall be maintained.

Tariff quota administration

Working Hypotheses		Variations/Additions
Terms and conditions of access - Supplying countries (cont'd)		<p>(v) Imports under existing or future preferential trade arrangements [shall not] [shall] be counted against WTO [MFN] [minimum] market access opportunities.</p> <p>(vi) Country allocations made under regional or bilateral trade initiatives may be counted against Members' Uruguay Round minimum access commitments.</p> <p>(vii) Imports from non-WTO Members [shall be] [shall not be] credited against: <u>Variant 1</u>: scheduled [MFN] [minimum access] tariff quotas. <u>Variant 2</u>: the expanded MFN portion of existing tariff quotas. <u>Variant 3</u>: new tariff quota commitments.</p> <p>(viii) [A certain percentage] [a 20 per cent] [a 5 per cent] share of each scheduled tariff quota shall be reserved for [new] [non-traditional] suppliers [during a 6-month period]. [Unused country allocations shall be redistributed thereafter].</p>
Terms and conditions of access - Importing countries		Note: Some or all of the proposals for modalities and/or rules-related elements below could apply under <i>Terms and conditions of access – Importing countries</i> :
<i>General</i>	Administrative conditions and formalities shall not operate in a manner which prevents the full utilisation of scheduled tariff quota opportunities.	
<i>Products</i>		<p>(i) Sub-allocations to specific tariff lines within a tariff quota shall be permitted in order to encourage the full utilisation of scheduled access opportunities.</p> <p>(ii) Sub-allocations to particular products where a tariff quota contains different tariff lines shall be prohibited.</p> <p>(iii) The products imported under tariff quota regimes must not be subsidised.</p> <p>(iv) Seasonal restrictions [may be] [shall not be] applied on any agricultural product.</p>
<i>Issuance and duration of tariff quota allocations/ import licences</i>		<p>(i) The tariff quota import licences must be issued to importers [sufficiently in advance] [not less than 3 months before] [2 months before] the commencement of the quota year and must be freely usable with effect from the beginning of that year.</p>

Tariff quota administration

	Working Hypotheses	Variations/Additions
<p><i>Issuance and duration of tariff quota allocations/ import licences (cont'd)</i></p>		<ul style="list-style-type: none"> (ii) Tariff quota allocations to importers shall be valid for the entire quota year. (iii) The validity of import licences shall [be no less than 30 days] [generally be sufficiently long to allow overseas suppliers every opportunity to ship the product in question.] A mechanism shall be available to allow for reasonable extensions. (iv) In specific situations, such as severe and time-limited shortages on domestic markets, the duration of import licences may be shorter.
<p><i>Size of tariff quota allocations</i></p>		<ul style="list-style-type: none"> (i) The minimum size of the [tariff quota] [import licence] allocation assigned to any quota holder should be economically viable and consistent with [normal commercial practices] [international norms of commercial shipment loads] for the product concerned. [Importing Members with small domestic markets shall not be subject to this requirement.] (ii) Under the first-come, first-served method, the tariff quota volume [may be] [may not be] subdivided into tranches over the quota year [provided that the size of allocation is commercially viable] with a view to avoid the concentration of imports at the start of the tariff quota year.
<p><i>Eligibility of importers</i></p>		<ul style="list-style-type: none"> (i) Members shall not discriminate between importers. (ii) Domestic producer groups and government-affiliated or controlled importers shall not be eligible to receive tariff quota allocations. (iii) A formula-based approach shall be adopted to enhance private sector participation. (iv) Applicants shall not be required to demonstrate evidence of past trading performance to become eligible to tariff quota allocations.
<p><i>Duties, fees, mark-ups</i></p>		<ul style="list-style-type: none"> (i) Administrative fees and expenses associated with the implementation of tariff quotas shall be minimal. (ii) Members shall ensure that tariff quota administration mechanisms do not result in the importing governments receiving more than their scheduled entitlements, in terms of tariffs, [and] other duties and charges [and mark-ups] as specified in schedules. (iii) Mark-ups and duties shall not impede access to the importing market.

Tariff quota administration

Working Hypotheses		Variations/Additions
<i>Other terms</i>		<ul style="list-style-type: none"> (i) Importers shall not be required to submit export certificates. (ii) Importation under tariff quotas shall not be contingent upon compliance with national content and domestic purchase requirements. (iii) Imports for re-export [shall not be] [may be] counted against tariff quota access commitments. (iv) Imports under tariff quota regimes shall not be contingent upon end-use specifications, or subject to unfavourable commercial terms, including product specifications, pricing and packaging. (v) Recourse to end-use specifications may be permitted in order to avoid speculative applications.
Under-fill		<ul style="list-style-type: none"> (i) The full realisation of tariff quota opportunities [shall] [shall not] be mandatory. (ii) Members shall ensure that tariff quotas are filled before imports may take place at the out-of-quota tariff.
<i>Enhanced transparency</i>		<ul style="list-style-type: none"> (i) Under-fill situations shall be exclusively managed through enhanced transparency and notification requirements.
<i>Reallocation of unused tariff quota shares</i>	Members to ensure that unused tariff quota portions are re-allocated in a timely manner with a view to facilitating the realisation of scheduled market access opportunities.	<ul style="list-style-type: none"> (i) Members shall ensure that after 8 months into the quota year, those portions of tariff quotas not contracted for delivery are reallocated to other importers by the end of the quota year. <u>Variant 1</u>: The reallocation shall be made [no later than 9 months into the tariff quota year] [within 8 months]. <u>Variant 2</u>: Any unused tariff quota shares shall be re-allocated to the following quota year. (ii) Re-allocated tariff quota shares must be used during the last quarter of the tariff quota year in question [and subject to a lower in-quota duty]. (iii) Members shall develop a mechanism to address unused country-specific allocations. (iv) Unused country-specific allocations shall be reallocated after a 6-month period. The re-distribution process must be completed within 8 months into the tariff quota year.

Tariff quota administration

Working Hypotheses		Variations/Additions
<i>Reallocation of unused tariff quota shares (cont'd)</i>		<p>(v) Unfilled portions of tariff quotas shall be reserved in the next agreed period of time for products originating in least-developed countries, net food-importing developing countries and countries in transition. The in-quota duties shall be reduced by 50 per cent.</p> <p>(vi) Tariff quota licences [must be fully] [shall not be] transferable between importing firms.</p>
<i>Deposits, guarantees and penalties</i>		<p>(i) Importers [shall not] [may] be required to make security deposits as a guarantee for the use of an import licence. [Such guarantees shall be released upon proof of importation].</p> <p>(ii) Importers shall be free to return unused [quota allocations] [licences] without penalty, sufficiently in advance of the end of the quota year so that these can be reallocated and used. A penalty should apply to [quota] [licence] holders who fail to use or return allocations.</p> <p>(iii) Tariff quota allocations that are not fully used in any given quota year by quota holders may be reduced in the following quota year.</p>
<i>Other measures</i>		<p>(i) The following corrective measures shall be applied if simple average fill rates register less than 50 per cent during 3 consecutive years:</p> <ul style="list-style-type: none"> - the corresponding tariff quota administration system shall be [temporarily] replaced by a tariff-only regime; - the applied out-of-quota duty shall be immediately lowered to the level of the applied in-quota duty. - any unused tariff quota quantities shall be transferred to the following quota year's allocation. <p>(ii) Applications from importers shall be accepted on a continuous basis until the entire tariff quota quantity is exhausted.</p>
<p>Transparency requirements</p> <p><i>Transparency</i></p>	<p>Members to ensure that the relevant information is widely, publicly, and timely communicated with a view to increasing transparency and predictability in tariff quota administration.</p>	<p>(i) Members shall designate a government agency acting as a contact/enquiry point responsible for all matters relating to tariff quota administration [and for responding promptly to any request for information].</p>

Tariff quota administration

	Working Hypotheses	Variations/Additions
<p>Transparency (cont'd)</p>		<p><u>Variant</u>: The contact point shall be a government or private agency with no direct or indirect material interest in the production, sale, export or import of agricultural products being imported through tariff quota systems.</p> <p>(ii) All relevant information shall be published in a national official journal. In addition,</p> <p><u>Variant 1</u>: Members shall establish a dedicated, publicly-accessible, tariff quota administration Web site in order to disseminate all commercially relevant information and regulations, with respect to some or all of the following:</p> <p><u>Variant 2</u>: No Member shall maintain and administer a tariff quota unless a publicly-available Web site is first established, along with any other information that, if otherwise denied, might negatively affect tariff quota fill rates. The relevant information shall include some or all of the following:</p> <ul style="list-style-type: none"> - procedural requirements for the obtention and allocation or re-allocation of quota licences (including regulations concerning notices of application, eligibility criteria and decision-making criteria, application processes, allocation methods, timing and deadlines, list of competent national authorities with phone numbers, E-mail addresses for each tariff quota programme); - current status of imports under individual tariff quotas to be published at regular intervals (including tariff quota imports and fill rates on a tariff line basis; tariff treatment; country allocations; quota allocation dates; validity period of licences); - details of persons, commercial enterprises or other bodies to whom right to import under individual tariff quotas has been attributed or re-allocated, including quota quantities per quota holder, mailing, fax and E-mail addresses. - advance notice regarding any changes relating to administration of tariff quotas; consultative process with stakeholders on prospective changes to rules and procedures; right of appeal process for administrative rulings. <p>(iii) The establishment of a Web site shall not be a mandatory requirement.</p>

Tariff quota administration

Working Hypotheses		Variations/Additions
<i>Notifications</i>	Members to submit annual notifications to the Committee on Agriculture.	<p>(i) Any changes in the administration of tariff quotas should be notified within 30 days and contain the following information: quota allocation dates, licence delivery dates, means of publicizing and assessing information, eligibility criteria, licence application processing periods, identity of licence holders, procedures for making changes to tariff quota regimes and for monitoring tariff quota utilisation. In addition, Members should reply within 30 days to any request for information by other Members.</p> <p>(ii) For the first-come, first-served method of tariff quota administration, there should be an advance notification indicating the forecasted date of closing of the tariff quota.</p>
S&D <i>Principles</i>		<p>(i) The general and specific rules on tariff quota administration shall apply to all Members, whether they are developed or developing countries.</p>
<i>Administration methods</i>		<p>(i) Tariff quota administration to be on the basis of a first-come, first-served, basis provided that a specific percentage is allocated to net food-importing developing countries.</p>
<i>Terms and conditions of access - Supplying countries</i>		<p>(i) A preferential tariff quota allocation to be reserved to [least-developed countries][net food-importing developing countries][developing countries having less than US\$1,000 per capita income] in both developed and developing countries' markets. [The preferential allocation shall be subject to a preferential in-quota tariff duty.]</p> <p><u>Variant:</u> For each tariff line, a minimum of 5 per cent of the total bound annual volume to be reserved for imports from small-scale³ and limited commodity exporters⁴. In addition, a list of products of export interest shall be prepared based on requests from Members eligible to "small scale" or "limited commodity exporter" status. Importing Members to open new tariff quota access representing 0.5 per cent of domestic consumption covering all the listed products.</p>

³ Defined by the proponents as developing countries whose export share of the product concerned in the world market is less than 3.25 per cent.

⁴ Defined by the proponents as developing countries where one or a few commodities account for the bulk of agricultural exports.

Tariff quota administration

	Working Hypotheses	Variations/Additions
<p><i>Terms and conditions of access - Supplying countries (cont'd)</i></p>		<ul style="list-style-type: none"> (ii) When a tariff quota is established for a commodity on which [small island developing states and least-developed countries] [small vulnerable developing agricultural exporters⁵] are dependent and have traditionally enjoyed duty free preferences, they will be assigned duty-free tariff quota shares according to their historical share of the market. (iii) [A certain percentage] [all] of the volume expansion in [minimum access] tariff quotas shall be allocated to [developing] [vulnerable⁶] countries. (iv) No preferential allocation of an existing tariff quota, MFN or not, either in part or whole, shall be set aside for developing countries. (v) Longer transitional phase-out for the elimination of preferential country-specific allocations in favour of least-developed and other developing country suppliers. (vi) The country-specific allocations established during the Uruguay Round in favour of developing countries shall be maintained [during the on-going reform process.] (vii) Where country-specific allocations are made in favour of developing countries, these shall be in addition to, not subtracted from, existing MFN tariff quotas. (viii) All tariff quotas for small-scale or limited commodity exporters that are unused after 6 months into the quota year shall be made available to other exporters on an MFN basis. (ix) Where additional access, granted within the context of S&D treatment, cannot be achieved, the importing Member could identify technical assistance that might facilitate the export potential of the developing country in question.
<p><i>Terms and conditions of access - Importers</i></p>		<ul style="list-style-type: none"> (i) To counter the adverse effects of import surges on low- or resource-poor farmers, developing country Members shall have the flexibility to apply seasonal restrictions temporarily on food security crops. (ii) Taking into account their particular trade, development and financial needs, developing country Members shall be allowed to apply domestic purchase, or local content, requirements when allocating tariff quotas.

⁵ Defined by the proponents as developing countries which face specific geographical/structural/economic rigidities consequent on very small size and physical constraints.

⁶ Vulnerable countries are defined by the proponents as: least-developed countries, net food-importing developing countries, small island developing states, landlocked countries and single commodity exporting countries.

Tariff quota administration

Working Hypotheses		Variations/Additions
<i>Terms and conditions of access – Importers (cont'd)</i>		(iii) Due account shall be taken of the inherent constraints of the [vulnerable ⁷ countries] [small supplying states] in respect of <i>inter alia</i> , shipment loads, remoteness [and land-locked situations] [and the need for adequate predictability].
<i>Transparency requirements</i>		(i) Importing developing countries shall not be tied by costly and cumbersome administrative and reporting procedures as a result of enhanced transparency and notification requirements. (ii) Enhanced transparency and notification requirements shall apply indistinctly to all Members, in particular where tariff quotas are managed by import state trading enterprises. (iii) Members shall consider providing technical assistance to developing countries facing technical difficulties to maintain the infrastructure necessary to ensure transparency (e.g. Web site, enquiry point).
<i>Underfill</i>		(i) Unfilled portions of tariff quotas shall be reserved in the next agreed period of time for products originating in least-developed countries, net food-importing developing countries and countries in transition. To this effect, in-quota duties shall be reduced by 50 per cent.

⁷ Vulnerable countries are defined by the proponents as: least-developed countries, net food-importing developing countries, small island developing states, landlocked countries and single commodity exporting countries.

Special safeguard measures

Working Hypotheses

Variations/Additions

Article 5 of the Agreement on Agriculture

- (i) The provisions of Article 5 of the Agreement on Agriculture shall cease to apply for developed country Members. Coverage shall not be extended to other countries or products.
- (ii) The provisions of Article 5 of the Agreement on Agriculture shall be maintained for the duration of the reform process.
- (iii) Some or all of the following amendments to be introduced:
 - (a) The reference period used for the determination of trigger prices shall be updated to reflect current market conditions. The reference period shall be the three most recent calendar years for which statistical data are available;
 - (b) The calculation of the additional duty shall be simplified to enhance transparency, for example, through a uniform proportional additional charge;
 - (c) Where products whose bound tariff rates are below a certain level (to be negotiated), a minimum additional duty (to be negotiated) shall be applied when the volume-based safeguard is triggered;
 - (d) The notification requirements relating to trigger prices and trigger volumes shall be strengthened.
- (iv) The [right to invoke the provisions]/[product coverage] of Article 5 of the Agreement on Agriculture shall be extended to :
 - Variant 1: all [other countries] [transition economies] [newly-acceded Members];
 - Variant 2: all the products [which were tariffed during the Uruguay Round];
 - Variant 3: all the agricultural tariff lines in respect of which a specified percentage reduction commitment has been undertaken;
 - Variant 4: [fruit and vegetables, and other] perishable and seasonal products. [The safeguard shall apply in accordance with the specific production period of domestic seasonal or perishable produce].

Special safeguard measures

	Working Hypotheses	Variations/Additions
<p>Other measures</p>		<p>(i) Members shall introduce a new safeguard measure for perishable and seasonal products based on price- or quantity-related triggers.</p> <p>(ii) A Food Security Mechanism (FSM) shall be available to all WTO Members. It shall be applicable to (a) primary staple foods, on an automatic basis, and (b) other commodities, under certain clearly defined criteria. FSM products shall be eligible for the safeguard mechanism to be agreed; exempt from further tariff reduction or lesser reduction schemes; exempt from further tariff quota expansion; and no additional disciplines shall be imposed on state trading entities that only import FSM commodities. The FSM ceases to apply, and cannot be reverted to, if the commodity in question becomes a net-exported product.</p>
<p>S&D</p> <p><i>Article 5, Agreement on Agriculture</i></p>		<p>(i) To be extended to [all developing] [least-developed] [vulnerable⁸] countries [and developing countries which undertake further reduction commitments] for [all products] [products which are essential to food security].</p> <p>(ii) To be extended to developing countries and least-developed countries to enable the WAEMU member States to bring the short-term import tax (TCI) into conformity with WTO rules. In addition, the trigger levels (quantities or prices) could be determined annually by the countries concerned, on the basis of their domestic consumption and production (quantities for the previous year) or their domestic production costs (prices).</p> <p>(iii) To be maintained for developing country Members with current SSG rights [until the imbalances in the use of domestic support and export subsidies are corrected.] [Developing countries that are net-exporters of agricultural commodities shall relinquish the right to invoke Article 5 of the Agreement on Agriculture for the products concerned].</p>
<p><i>Balancing mechanism addressing the linkages between the three pillars</i></p>		<p>(i) Developing and least-developed countries may impose an additional duty, to be defined, to protect their agricultural industries from the harm from trade-distorting export subsidies and/or trade-distorting domestic support measures.</p>

⁸ Vulnerable countries are defined by the proponents as: least-developed countries, net food-importing developing countries, small island developing states, landlocked countries and single commodity exporting countries.

Special safeguard measures

Working Hypotheses		Variations/Additions
<p><i>Balancing mechanism addressing the linkages between the three pillars (cont'd)</i></p>		<p>(ii) A balancing mechanism linking the commitments in the three pillars shall be integrated into the tariff reduction modality based on a formula to convert trade-distorting support and export subsidies into their tariff equivalents. Developing countries may apply the resulting additional duties at any time throughout the implementation period on products from developed countries that are subsidised.</p>
<p><i>Other measures</i></p>		<p>(i) Developing countries to have access to a new [simple] [and transparent] mechanism to protect their domestic markets against import surges [for products that are designated as "strategic products for development"] [for crops that are essential for food security].</p> <p><u>Variant 1:</u> The safeguard is invoked when the volume of imports during any year exceeds the volume trigger level in the previous 3 years by 5 per cent, or if the difference between the c.i.f. import price of a shipment and the trigger price is more than 5 per cent of the trigger level. Volume-based (respectively, price-based) trigger to be the average imports (c.i.f. price) of the 3 lowest years over the last 6 years. Action: quantitative restrictions (a quota which shall not be less than the trigger volume) or additional duties (not exceeding 100 per cent) may be imposed for a period not exceeding 1 year.</p> <p><u>Variant 2:</u> Any developing country may invoke the Special Safeguard Mechanism (SSM) if the volume of imports in a year represents a certain percentage of the average import level over the last three years; or but not concurrently, if the c.i.f. import price of a shipment falls below a trigger price equal to the average c.i.f. value of the product concerned over the last 3 years or the average domestic price in the year in which the measure is invoked. Additional duties or quantitative restrictions may be imposed for 1 year, subject to extension if similar conditions prevail. Imports from other developing countries shall not be affected unless certain import share criteria are met. All agricultural products shall be covered by the SSM if in conformity with the conditions laid out. Members availing themselves of this mechanism undertake not to have recourse to certain provisions contained in GATT Article XIX and the Agreement on Safeguards.</p>

Special safeguard measures

	Working Hypotheses	Variations/Additions
<p>Other measures (cont'd)</p>		<p>(ii) A transitional Special and Differential Countervailing Measure (SDCM) shall be introduced as part of Article 15 of the Agreement on Agriculture. On the basis of a simplified procedure in the investigation, as contained in Part V of the Agreement on Subsidies and Countervailing Measures, importing developing country Members shall be entitled to apply countervailing duties on developed countries' exports when the existence of a subsidy has been established on the basis of schedules, notifications or lack thereof, or DSB findings. There shall be no requirement to prove injury or existence of a causal link between the subsidised imports and the alleged injury.</p> <p>(iii) Developing countries shall have access to an import relief mechanism to be used in response to fluctuations in world prices or significant import surges. The safeguard shall be confined to a limited range of products and circumstances.</p> <p><u>Variant 1:</u> The new safeguard shall be set in the context of substantial market access improvements and be part of a package of targeted and appropriate special and differential treatment measures. It shall only be available where imports are subsidised or benefit from domestic support and where there is domestic production of the product concerned. Protection shall take the form of an additional duty only, and limitations shall be placed on the duration of safeguard action.</p> <p><u>Variant 2:</u> Developing countries which have agricultural bindings below a specified level may invoke the new safeguard mechanism if the international price of the product concerned drops by a specified percentage below a trigger level, defined as the 3-year average import price. An additional duty shall be imposed for a maximum 1-year duration and only while the import price of the shipment concerned remains below the 3-year average trigger level. The related provisions shall be of a transitory nature and remain into force until all export subsidies and trade-distorting support are eliminated.</p> <p>(iv) A farmer income trigger mechanism shall be automatically triggered when a sudden import surge causes farmers' income to drop or the income growth rate falls below a certain threshold level.</p>

Importing state trading enterprises

Working Hypotheses		Variations/Additions
Scope of entities to which additional / improved disciplines would be applicable	Strengthened disciplines to apply to state trading enterprises.	<ul style="list-style-type: none"> (i) As per paragraph 1 of the Understanding on the Interpretation of Article XVII and the related illustrative list (document G/STR/4). (ii) The applicable disciplines shall be different for importing and for exporting state trading enterprises.
Specific disciplines		<ul style="list-style-type: none"> (i) The modalities to be established shall be without prejudice to Members' rights and obligations under GATT Article XVII and the related Understanding. (ii) Special rights and [single desk] privileges of importing state trading enterprises shall be prohibited. (iii) Members shall not restrict the right of any interested entity to import, or to purchase for import, agricultural products. (iv) The legal status and the special rights and privileges of import monopolies shall not be affected by these modalities if their business activities are conducted in accordance with the requirements of GATT Article XVII. (v) The state trading enterprises which are engaged in commercial activities [whether importation or exportation] shall not be responsible for carrying out domestic regulatory functions, such as administration of tariff quotas, setting [and enforcement] of technical, sanitary/phytosanitary, or quality standards. (vi) Issue of single desk buyer or seller to be discussed when the negotiations on the Interaction between Trade and Competition Policy are completed in the relevant WTO forum.
Specific disciplines - Tariff quotas		<ul style="list-style-type: none"> (i) State trading entities having responsibility for managing [WTO] tariff quotas to be subject to the same general rules and disciplines governing tariff quota administration. (ii) The right to import which is in the first instance allocated to a state trading entity shall be transferred to private traders in case of under-utilisation of the tariff quota concerned over a certain period. (iii) Import rights shall be transferred to private entities if tariff quotas register fill rates below 50 per cent over a 3-year period. The applied out-of-quota duty shall be reduced to the in-quota level. Where out-of-quota imports are occurring but the tariff quota is not filled, any unused quantity shall be rolled-over to the following importing period.

Importing state trading enterprises

Working Hypotheses		Variations/Additions
Specific disciplines - Tariff quotas (cont'd)		<p>(iv) Members shall implement any of the following two proposals, depending upon which results in a greater share of direct imports. Members shall increase the share of direct imports under tariff quotas through entities other than import state trading enterprises:</p> <p>(a) to 30 per cent upon implementation of this Agreement, increasing to 50 per cent through phased commitments made in equal annual instalments over a 5-year period, or</p> <p>(b) by 20 per cent from the levels in effect in implementation of this Agreement, in equal annual instalments over a 5-year period.</p>
Transparency / notification requirements	Transparency to be enhanced.	<p>(i) Members maintaining an importing state trading enterprise shall respond within 30 days to requests by other Members for information regarding that state trading enterprise. Such requests may relate to specific information on a transaction basis, including inter alia, quantity, source of imports, and contract specifications identified by end-users.</p> <p>(ii) Members undertake to notify, on an annual basis, the following information with respect to imports of agricultural products by state trading enterprises: the volume, price and origin of imports; the domestic sales price; the basic elements of the annual business plans made by state trading enterprises in connection with imports.</p> <p>(iii) Importing state trading enterprises shall not be required to provide transaction specific information on a mandatory basis.</p>
S&D		<p>(i) Importing state trading enterprises which fulfill rural development and food security objectives shall continue to play a positive role in developing countries.</p> <p>(ii) There should be no additional disciplines other than those specified in GATT Article XVII and the Understanding on the Interpretation of GATT Article XVII in respect of state trading enterprises of single commodity exporters.⁹</p> <p>(iii) The disciplines shall be differentiated for developing countries which are net-food importers, importers of staple foods [and small island developing states].</p>

⁹ Defined by the proponent as developing countries for which the bulk of agricultural exports comprises one or two commodities.

Other market access issues

Working Hypotheses		Variations/Additions
<p>Preferential schemes</p> <p><i>Preferential margins</i></p>		<p>(i) Where tariff rates under preferential trade regimes are lower than MFN rates for products of substantial export interest to, and originating in, vulnerable¹⁰ countries, the rates of reduction applied by developed countries shall not exceed 15 per cent.</p> <p>(ii) Preference-giving Members shall maintain the preferential margins [in nominal terms].</p> <p>(iii) Agricultural producers in developing countries, shall be adequately compensated for the continuing erosion of preference margins.</p>
<p><i>Trade preferences</i></p>		<p>(i) Members to improve the transparency, stability, and predictability of existing [reciprocal] [non-reciprocal] [GSP schemes] [preferential trade arrangements]. These will become binding commitments in the framework of the Agreement on Agriculture.</p> <p><u>Variant 1:</u> Members shall elaborate the principles governing the imposition of conditions and granting of benefits under [GSP schemes] [reciprocal and non-reciprocal preferences]. Compliance with these principles will be examined in the framework of the Agreement on Agriculture.</p> <p><u>Variant 2:</u> The facility currently available to least-developed countries that enables special WTO compatible market access arrangements with developed countries, on terms that do not require the extension of reciprocal preferences, shall be extended to small vulnerable agricultural exporters.¹¹</p> <p>(ii) New or enhanced preferences to be made over and above the terms and conditions of existing preferential market access.</p>

¹⁰ Defined by the proponents as: least-developed countries, net food-importing developing countries, small island developing states, landlocked countries and single commodity exporting countries.

¹¹ Defined by the proponents as developing countries which face specific geographical/structural/economic rigidities consequent on very small size and physical constraints.

Other market access issues

	Working Hypotheses	Variations/Additions
<p><i>Trade preferences (cont'd)</i></p>		<p>(iii) Developed countries [and the more advanced among developing countries] shall enhance the market access opportunities in favour of [least-developed countries] [net food-importing countries] [land-locked countries] [small island developing states] [African countries] [small vulnerable agricultural exporters¹²] [vulnerable countries¹³], for example in terms of duty-free or low-duty tariff quota access to products originating in, or of export interest to, these countries.</p> <p><u>Variant 1:</u> To this effect, a list of agricultural products that are produced and exported on a commercial basis shall be elaborated.</p> <p><u>Variant 2:</u> A list of such products shall be bound in developed [developing] countries' Schedules.</p> <p><u>Variant 3 :</u> The list of agricultural products of export interest to African countries shall comprise those products that are essential for product diversification; and/or “dynamic” products showing a high growth potential in world markets and would provisionally include: cotton, sisal, hemp and other textile crops, hides and skins, tobacco, oilseeds, coffee and products thereof, tea and products thereof, cocoa and products thereof, fresh and processed fruit and vegetables, and cassava.</p> <p>(iv) Preferential trade arrangements shall not have a negative impact on developing countries which are not a party to such arrangements.</p>
<p>Food safety</p>		<p>(i) Food safety issues to be addressed in other fora, including the SPS Committee.</p> <p>(ii) The application of precaution under Article 5.7 of the SPS Agreement shall be clarified in the following manner:</p> <ul style="list-style-type: none"> - measures shall be proportionate and no more trade restrictive than is required to achieve the appropriate level of protection determined by Members; - measures shall not be discriminatory; - the goal should be to achieve consistency in the application of the level of protection that Members consider to be appropriate in similar situations;

¹² See previous footnote.

¹³ Defined by the proponents as: least-developed countries, net food-importing developing countries, small island developing states, landlocked countries and single commodity exporting countries.

Other market access issues

	Working Hypotheses	Variations/Additions
Food safety (cont'd)		<ul style="list-style-type: none"> - there shall be a prior need to examine the constant benefits and costs of action and lack of action. This examination must consider whether another measure, less trade-restrictive, is reasonably available; - measures, although provisional, could be maintained on certain conditions, notably because scientific data remain incomplete, imprecise, or inconclusive. However, the maintenance of the measures should take account of the development of scientific knowledge. Hence, there should be re-evaluation of the data and the measures as new scientific information is obtained. - measures shall be based upon scientific evidence coming from qualified sources, but not necessarily that of the majority of the scientific community. <p>(iii) Article 5.7 of the SPS Agreement shall be interpreted in line with the relevant Appellate Body Decisions¹⁴</p>
<i>S&D - Food safety</i>		<p>(i) Members shall provide technical assistance to developing countries in the context of the SPS Agreement.</p> <p>(ii) Members shall promote access by developing countries to knowledge and technical infrastructures needed to ensure compliance with food safety standards in developed country markets.</p> <p>(iii) Clear provisions to address the difficulties encountered by developing countries in the context of the SPS Agreement, in particular in relation to non-tariff barriers taking the form of sanitary measures.</p>
Labelling		<p>(i) Mandatory labelling to be addressed in other fora, including the TBT Committee.</p> <p>(ii) Members shall develop a common understanding, interpretation or guidance, on the criteria and guidelines for the implementation of mandatory labelling requirements for food and agricultural products.</p>

¹⁴ See relevant sections of *EC - Measures concerning meat and meat products* (Hormones), AB-1997-4, as well as the decision taken by the Appellate Body on *Japan - Measures affecting agricultural products*, AB-1998-8.

Other market access issues

	Working Hypotheses	Variations/Additions
Geographical indications		<ul style="list-style-type: none">(i) Geographical indications to be addressed in other fora, including the TRIPS Council.(ii) The protection afforded by Article 23 of the TRIPS Agreement to the geographical indications of wines and spirits shall be extended to all agricultural products.

Export subsidies

Working Hypotheses		Variations/Additions
Policy coverage of further commitments	The policy coverage of further commitments shall be the export subsidies specified in Article 9.1 of the Agreement on Agriculture.	<p>(i) No new forms of export subsidies other than those listed in Article 9.1 of the Agreement on Agriculture shall be introduced.</p> <p>(ii) The policy coverage set out in Article 9.1 shall be maintained depending on the treatment of other types of export supports such as export credits, insurance and guarantee schemes and support which can be given by export state trading enterprises.</p> <p>(iii) The policy coverage set out in Article 9.1 shall be extended to cover domestic support measures for specific products which meet the following criteria:</p> <ul style="list-style-type: none"> - measures classified as price-linked compensatory payments; and - more than {Y} per cent of products benefiting from the measures above is exported. <p>(iv) Article 9.1(d) shall be clarified regarding some forms of export promotion permitted under this provision.</p>
Product specificity of commitments	The product specificity of commitments, for both quantity and budgetary outlays, shall be as specified in Members' Schedules with respect to final bound levels.	<p>(i) Commitments shall apply to all products or group of products, including processed products, where exports of such products are subsidised through practices in Article 9.1 of the Agreement on Agriculture.</p>
Base levels	The base levels for commitments, for both quantity and budgetary outlays, shall be the final bound levels as specified in Members' Schedules.	<p>(i) Base levels can be adjusted depending on the results of the negotiations on other forms of export support.</p> <p>(ii) More representative current base levels may need to be defined for some countries, particularly countries with economies in transition.</p> <p>(iii) The base level for the staging of further commitments in developed countries shall be the average actual subsidy level for the years 1995-2000 or the bound level for the year 2000, whichever is lower.</p>
Formula/targets for further commitments, implementation period, staging		<p>(i) Budgetary and quantitative reductions of 50% from final bound levels as specified in Schedules from the first day of implementation followed by equal annual reductions leading to elimination and prohibition after three [to five] years for developed countries and [six] [five to seven] years for developing countries.</p> <p>(ii) Scheduled outlays and quantity commitments shall be reduced to zero through equal instalments over five years, with special and differential treatment for developing countries.</p>

Export subsidies

		Working Hypotheses	Variations/Additions
<p>Formula/targets for further commitments, implementation period, staging (cont'd)</p>			<ul style="list-style-type: none"> (iii) Export subsidies shall be reduced using the Uruguay Round approach. There shall be no down payments. (iv) Reduction commitments (to zero) shall be implemented over a six-year period commencing in the year 2005, in equal annual instalments. (v) In addition to budgetary outlays and quantity commitments, reduction commitments (in equal instalments) shall also be established on the unit value for each category of export subsidies as defined in the Uruguay Round. The base level to be used shall be 64% of the average unit value of export subsidy during the base period 1986 to 1990. (vi) Domestic support measures that have the same effect as export subsidies shall be reduced according to the formula for export subsidy reductions to be worked out in the negotiations. Reductions shall start from 64% of the budgetary outlay and 79% of the quantities benefiting from such support in the base period 1986-1990. (vii) In the case that Members shall agree to an overall export subsidy reduction of [X] percent, for a specific product or product group a Member may choose to reduce the export subsidy by a lower rate than the agreed overall percentage export subsidy reduction agreed, provided that the Member undertakes a corresponding above-average reduction, multiplied by a factor of [Y] and measured on a value and volume basis, on another product or product group. (viii) For incorporated products as defined in Article 9.1(f) of the Agreement on Agriculture, reduction commitments shall be undertaken on a non-aggregated basis for budgetary outlays. (ix) The degree of product aggregation shall be related to the extent of the reductions: the deeper the cuts, the larger the product aggregates. (x) It shall be provided that, for equity, no Member is constrained to grant export subsidies during the implementation period for reduction commitments on all forms of export subsidies.
<p>S&D</p>	<ul style="list-style-type: none"> (i) The exemptions for developing countries under Article 9.4 for the transport and marketing subsidies set out in Article 9.1(d) and (e) of the Agreement on Agriculture shall be extended. (ii) Developing countries shall benefit of a longer time-frame (smaller annual cuts) for implementing their further export subsidy commitments. 	<ul style="list-style-type: none"> (i) Article 9.4 of the Agreement on Agriculture shall be continued [and amended to include export assistance schemes usually provided by developing countries][but with a clear end date]. (ii) Developing countries' exemptions shall be extended to Article 9.1(a), (b), (c) and (f) in cases of unforeseen circumstances, for developmental objectives and for food security purposes. Alternatively, developing countries shall be afforded a more general exemption for subsidies under Article 9.1(a) to (c) of the Agreement on Agriculture. 	

Export subsidies

	Working Hypotheses	Variations/Additions
<p>S&D (cont'd)</p>	<p>(iii) Least-developed countries shall not be required to make further commitments on export subsidies.</p>	<p>(iii) If general export subsidies are to be permitted in other Member countries, then equivalent provisions to those of Article 27 and Annex VII of the Agreement on Subsidies and Countervailing Measures, or some other flexibility, shall be incorporated to the Agreement on Agriculture for developing countries with GDP per capita of less than \$1,000.</p> <p>(iv) Until a developing country reaches a certain stage of export competitiveness (3.25% of world trade of the products concerned) the support provided by that developing country to subsistence products and certain other crops should not be subject to commitments (as set out in the SCM Agreement).</p> <p>(v) Developing country Members shall stage further reduction commitments from the final bound levels established as a result of the Uruguay Round, with the flexibility to implement commitments over a ten-year period commencing in the year 2008.</p> <p>(vi) Any new commitments through any instrument in market access, domestic support, and export subsidies for developing countries shall be no more than half of the commitments of developed countries.</p> <p>(vii) Reductions in export subsidies, with a view of phasing out, by developed countries for products of export interest to developing countries shall be completed between September 2003 and 1 January 2005.</p> <p>(viii) No exports shall be allowed to least-developed countries, vulnerable countries in transition and NFIDCs for agricultural products supported by export competition instruments where such products or their direct substitutes are produced in the importing country unless such exports and type of export instruments are explicitly approved by importing Members and notified by both importing and exporting Members.</p> <p>(ix) There shall be lower reduction percentages or no reduction in respect of quantities and outlays of products destined to LDCs and NFIDCs.</p> <p>(x) There shall be prefixing of export refund rates for products destined to LDCs and NFIDCs.</p>
<p>Other issues</p>		<p>(i) The provisions of Article 13(c) shall cease to apply as per Article 1(f) of the Agreement on Agriculture.</p> <p>(ii) Article 13(c) of the Agreement on Agriculture shall continue to apply to export subsidies provided by any developing country Member that fully conform with the provisions of Part V of the Agreement on Agriculture (as revised by the present modalities), as reflected in each Member's Schedule.</p>

Export subsidies

	Working Hypotheses	Variations/Additions
Other issues (cont'd)		(iii) Commitments on export subsidies may not be negotiated to limit the scope of subsidies on exports of agricultural products as regards individual or regional markets.

Export Credits, Insurance and Guarantees

Working Hypotheses		Variations/Additions
<p>General approach</p>	<p>Disciplines shall be established for export credits, export credit insurance and guarantee programmes.</p>	<p>(i) Export credits that comply with the agreed disciplines shall be deemed to be in conformity with the provisions of the Agreement on Agriculture regarding export competition. Export credits that do not comply with these requirements shall be counted against each Member's export subsidies reduction commitments as indicated in its Schedule, or otherwise prohibited.</p> <p>(ii) The subsidy element implicit in export credits, insurance and guarantees schemes shall be determined and subject to reduction commitments comparable to those that will apply to export subsidies [X per cent in outlays/values and Y per cent in volumes].</p> <p>(iii) Export credit commitment levels for each year of the implementation period shall be specified in a Member's Schedule (based on a past reference period). This will be expressed as :</p> <ul style="list-style-type: none"> - in the case of budgetary outlays, the maximum level of granted amounts for export credit that may be allocated or incurred in that year in respect of the agricultural product or group of products concerned; and - for export quantity reduction commitments, the maximum quantity of an agricultural product or group of products in respect of which export credits may be granted in that year. <p>(iv) Members shall undertake the gradual reduction of the values and volumes of agricultural exports with the notification of the base period data for exports under government risk coverage, from which annual percentage reductions shall be made. For Members without baseline data, the basis of commitments could be the average values and volumes of exports of major agricultural products in a preceding, multi-year reference period. A low common cap shall be agreed upon, expressed as a percentage share of these reference value and volume figures, which will be the maximum permitted starting levels of exports with the governments' coverage of non-commercial risks. These limits would be reduced annually by the same percentages as applicable for export subsidy outlay and volume commitments.</p> <p>(v) Members shall consider maintaining the export credit provisions.</p>

Export Credits, Insurance and Guarantees

	Working Hypotheses	Variations/Additions
Measures to be covered	All officially supported export credits, guarantees and insurance programmes shall be covered by the disciplines.	<p>(i) Any support given by or on behalf of governments in respect of export credit, credit guarantee, loan and insurance programmes, including direct credit, refinancing, and interest rate support, and all other forms of government involvement – direct and indirect. This includes support provided by special institutions controlled by and/or acting under the authority of governments.</p> <p>(ii) An officially supported export credit is any export credit transaction in which the government (at a national or subnational level) undertakes some or all of the credit risk or the cost of providing credit, including but not limited to financing, interest rate support and export credit insurance and guarantees.</p> <p>(iii) The measures to be covered are those set out in the Illustrative List of Export Subsidies in item (j) and the first paragraph of item (k) in the SCM Agreement with a wider scope covering other types of institutions that provide credits with the help of governments.</p> <p>(iv) Except to the extent provided under Article 10.4 under the Uruguay Round Agreement on Agriculture, Members shall be prohibited from using export credit, export credit guarantee and export credit insurance programmes that do not meet the provisions of this Article.</p>
Forms of support to be subject to disciplines	The disciplines shall cover any transaction where the government takes part or all of the risk, pays support or foregoes revenue. This will include supply of credit, direct credits, financing and refinancing, and guarantees.	<p>(i) Any officially supported export credit activities carried out by and/or extended to any actors with no exceptions.</p> <p>(ii) Disciplines shall apply to all forms of official support including direct credits/financing; refinancing; interest-rate support; export credit insurance and guarantees; deferred invoicing; and any other form of involvement, direct or indirect, by providers of official support.</p> <p>(iii) Export credits shall only cover the needs of LDCs or NFIDCs and products directly related to food security.</p>
Providers of support to which disciplines would be applicable	Government or special institutions controlled by and/or acting on the authority of governments also comprising state trading enterprises involved in providing officially supported export credits, including the grant of export credits shall be covered by the disciplines.	<p>(i) Providers of official support to be subject to disciplines include:</p> <ul style="list-style-type: none"> - government departments, agencies, or statutory bodies; - any financial institution or entity engaged in export financing in which there is governmental participation by way of equity, provision of loans or underwriting of losses;

Export Credits, Insurance and Guarantees

Working Hypotheses		Variations/Additions
Providers of support to which disciplines would be applicable (cont'd)		<ul style="list-style-type: none"> - any governmental or non-governmental enterprises, including marketing boards, which have been granted exclusive or special rights or privileges, including statutory or constitutional powers, in the exercise of which or by virtue of which they influence through their purchases or sales the level or direction of exports; and - any bank or other private financial institution which acts on behalf of or at the direction of governments or their agencies. <p>(ii) All officially supported export credit transactions carried out by and/or extended to all actors with no exceptions, including, but not limited to, support granted by national and sub-national governments, their agencies totally or partially controlled by them or by bodies outside the government acting under a governmental mandate, fulfilling a government mandate, or due to delegation of governmental powers.</p>
Maximum/ minimum terms/conditions that may be provided or supported		Note: Maximum or minimum terms or conditions that could apply to export credits and/or related instruments include some or all of the following:
<i>General</i>	Commercial terms shall be the principal bench mark for any maximum or minimum terms or conditions that will be applicable to export credits, export credit insurance and guarantee schemes.	
<i>Effective expenditure</i>		(i) The annual effective expenditure to cover trade distortive export credits, based on historical performance, shall be subject to the same reduction commitments that will apply to export subsidies.
<i>Quantities covered by credits</i>		(i) A maximum quantity of an agricultural product, or group of products, based on historical performance shall be established, in respect of which such trade distortive export credits may be granted in a year. These quantities shall be subject to the same reduction commitments that will apply to export subsidies.
<i>Maximum repayment terms</i>		(i) The maximum repayment terms shall be 180 days or less, for a large majority of products with limited exceptions in the case of products that are comparable to capital goods e.g. breeding animals, vegetable reproduction material, or some agricultural exports that were of a capital nature. Those exceptions shall be able to qualify for longer repayment periods, but in no case exceeding three years.

Export Credits, Insurance and Guarantees

	Working Hypotheses	Variations/Additions
<i>Repayment term</i>		<p>(i) The repayment term shall be the period beginning at the starting-point of export financing and ending on the contractual date of the final payment;</p> <p>(ii) For breeding cattle, where the repayment terms exceed one year:</p> <ul style="list-style-type: none"> - up front cash payments, of at least 15 per cent; and - repayment of principal and interest shall be made regularly and equally, not later than six months after the starting-point of credit.
<i>Insurance premium</i>		<p>(i) Premium shall be charged, shall be risk-based and shall not be inadequate to cover long-term operating costs and losses in accordance with international obligations. Consequently, the accumulated cash flow, premium income plus recoveries minus operating costs and claims paid should break even over a rolling period of years to be determined.</p> <p>(ii) Premiums shall be expressed in percentages of the principal value of the credit; and premiums shall be paid in full at date of issuance and shall not be financed.</p>
<i>Repayment of principal</i>		<p>(i) The principal sum shall be repaid no later than 180 days after the starting-point of export financing.</p> <p>(ii) Where repayment terms exceed 180 days, agricultural capital goods repayment shall cover both interest charges and principal.</p>
<i>Payment of interest</i>		<p>(i) Interest shall be paid no later than 180 days after the starting-point of export financing.</p>
<i>Starting-point of credit</i>		<p>(i) The starting-point of credit shall be [not later than] the date of arrival, or if more than one shipment is involved, the weighted mean date of arrival, in the recipient country of the goods exported and financed with the export credit [for a contract under which shipments are made in any consecutive six months period].</p> <p>(ii) The starting-point of export financing shall not be later than the actual date of shipment of the goods to the recipient country.</p>
<i>Ending date of credit</i>		<p>(i) The ending date of credit shall be the date of the last instalment payment of the export credit by the debtor (covering both principal and interest).</p>

Export Credits, Insurance and Guarantees

	Working Hypotheses	Variations/Additions
<p><i>Validity period of credit</i></p>		<p>(i) The terms and conditions of officially supported export credits made available to exporters or importers shall have a maximum validity period of {X} months.</p> <p>(ii) Credit terms and conditions (e.g., interest rates for official financing support and all risk-based terms and conditions) offered for an individual export credit or line of credit shall not be fixed for a period exceeding six months without payment of the premium.</p>
<p><i>Minimum interest rates</i></p>		<p>(i) A benchmark shall be established for the minimum interest rate that can benefit from support. This benchmark shall be defined as commercial interest rates or the opportunity cost of capital to the government.</p> <p>(ii) Interest rates offered for official financing support shall not be below the actual costs of borrowing for the funds so employed (including costs of funds if capital was borrowed on international markets in order to obtain funds of the same maturity and other credit terms denominated in the same currency as the export credit), plus a risk-based spread reflective of prevailing market conditions.</p> <p>If the repayment term is above a period to be determined, a Member providing official financing support would need to apply the minimum interest rates in conformity with the arrangements on guidelines for officially supported export credits as referred to in Annex 1 of the SCM Agreement (Item k, para.2). The Member shall apply the relevant commercial interest reference rates.</p> <p>(iii) Interest rates applied to export credits shall not be lower than the "minimum reference interest rate". A "minimum reference interest rate" will be established on the basis of an internationally accepted financial market rate (i.e., the London Interbank Offered Rate, LIBOR), plus a premium (i.e. 100 or 200 basis points).</p> <p>For the determination of the minimum interest rate, interest shall exclude:</p> <ul style="list-style-type: none"> - Any payment by way of premium or other charge for insuring or guaranteeing supplier or financial credits. Where official support is provided by means of direct credit(s) or refinancing, the premium may either be added to the face value of the interest rate or be a separate charge. In such a case, both components are to be specified separately in the export credit, credit guarantee or insurance program documentation. Otherwise, it shall be presumed that the export credit guarantee or insurance cost is included in the credit interest, for the purpose of determining the observance of the conditions for minimum interest rates;

Export Credits, Insurance and Guarantees

Working Hypotheses		Variations/Additions
<i>Minimum interest rates (cont'd)</i>		<ul style="list-style-type: none"> - Any other payment by means of banking fees or commissions relating to the export credit other than a bank charge calculated according to the credit or guarantee term or that is payable throughout the repayment term; and - Withholding taxes levied by the importing Member.
<i>Cash payments</i>		(i) In the case of any repayment terms of more than 180 days, a minimum cash payment shall be required at or before the starting point of credit, calculated as [fifteen per cent] [a percentage] of the total amount of the contract/shipment value, excluding interest, to be paid by or on behalf of the importer.
<i>Risk sharing/ Coverage</i>		(i) Officially supported export credit granted by one, or more, WTO Members, (where there is no cash payment) should only cover up to a certain percentage of the value of the transaction (to be negotiated).
<i>Rebates</i>		(i) Rebates in any form shall be explicitly prohibited.
<i>Foreign exchange risk</i>		(i) Export credits, export credit guarantees, export credit insurance, and related financial support shall be provided in freely traded currencies. Foreign exchange exposure deriving from credit that is repayable in the currency of the importer shall be fully hedged, such that the market risk and credit risk of the transaction to the supplier/lender/guarantor is not increased. The cost of the hedge shall be incorporated into and be in addition to the premium rate determined.
Other issues relating to maximum/ minimum terms/conditions that may be provided or supported		<ul style="list-style-type: none"> (i) Other measures, forms of support and other policies to be covered by maximum or minimum terms or conditions include: marketing windows, national interest accounts administration, revolving credit, indirect and direct support, the financial practices of exporting state trading enterprises in this area, such as delayed invoicing, and transparency. (ii) Maximum/minimum terms/conditions that may be provided or supported shall be based on the draft OECD Sector Understanding on export credits in agriculture. (iii) All officially supported export credits, credit guarantees or insurance programs not complying with any of the terms or conditions shall be prohibited.

Export Credits, Insurance and Guarantees

	Working Hypotheses	Variations/Additions
<p>Transparency/ Notification requirements</p>	<p>Export credits, insurance and guarantees shall be subject to notification requirements.</p>	<p>(i) Within ninety days of the entry into force of this agreement, a Member shall notify any program that it maintained before the entry into force of this agreement. A Member shall not maintain programmes that were not so notified.</p> <p>No later than the next semi-annual reporting date, a Member shall notify the terms and conditions of any new programmes and any exclusive or special rights or privileges, including statutory or positional powers granted, implemented after the beginning of the implementation period of this agreement. Failure to notify shall result in the prohibition of use.</p> <p>(ii) A notification shall be required before a new credit, insurance or guarantee programme is introduced as well as notifications on actual use of such programmes to show compliance with commitments. Notifications will be needed before changes are allowed to existing programmes.</p> <p>(iii) Members shall report annually on all officially-supported export credits with repayment terms of more than 180 days. Reporting shall be value-aggregated by detailing destination country, product group and repayment terms.</p> <p>(iv) Notifications shall be required:</p> <ul style="list-style-type: none"> - In respect to forms and providers of support as per agreed definitions; - In respect of terms afforded to LDCs and NFIDCs; - On agreements reached between exporters and importing LDCs and NFIDCs; and - On methodologies used to determine the "appropriate commercial market benchmark rates".

Export Credits, Insurance and Guarantees

	Working Hypotheses	Variations/Additions
S&D	Special and differential treatment shall be extended to developing countries, especially in favour of least-developed and net food-importing developing countries in accordance with 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.	
<i>Maximum/minimum terms/conditions that may be provided or supported</i>		Maximum or minimum terms or conditions that could apply to export credits and/or related instruments include some or all of the following:
Maximum repayment terms		<ul style="list-style-type: none"> (i) Maximum repayment terms shall be not less than a year for non-capital goods and two years or more for capital goods. (ii) In recognition of the Marrakesh NFIDC Decision, an additional repayment term of three months shall be granted for cereals and cereal preparations, oilseeds and oilseed products. In the event of a sudden and significant deterioration in an importing nation's economy, which may have consequences such as social deprivation or unrest, as recognized by the World Food Programme (WFP) or FAO, an exporting Member can be authorized to consider any request for more generous terms, provided that this does not displace commercial sales nor distort market practices under specified conditions, and that it raises no objections from other Members. (iii) The maximum repayment term of thirty months for developing countries shall begin at the starting point of export financing and end on the contractual date of the final payment.
Credit terms and conditions		<ul style="list-style-type: none"> (i) Food aid shall only be provided in fully-grant form, and not even partially on credit terms.
Minimum insurance premium		<ul style="list-style-type: none"> (i) Allowance shall be made for exports to least-developed and net food-importing developing countries where risks are higher.

Export Credits, Insurance and Guarantees

	Working Hypotheses	Variations/Additions
Minimum interest rates		(i) Minimum interest rates shall be lower than commercial market benchmark rates and prefixed as from date of entry into force of credit facility and valid for the duration of the repayment period.
Currency parity		(i) Currency Parity shall be prefixed as from date of entry into force of credit facility and valid for the duration of the repayment period.
Minimum cash requirement		(i) There shall be no minimum cash requirement in the case of any repayment terms of more than 180 days.
Risk sharing/ coverage		(i) Risk sharing requirements and the cash payment requirement could be waived in the case of LDCs and NFIDCs.
Repayment of capital		(i) The principal sum (cash payment deduction not applicable, minimum cash requirement refers) shall be repayable in equal, regular ... instalments starting not later than six months after the starting point of the credit; (ii) The principal sum shall be repaid in equal and regular instalment not less frequently than annually with the first payment due no later than twelve months after the starting point of credit.
Payment of interest		(i) Regarding the payment of interest: - it shall be at the time of payment of capital or at intervals to be agreed between the parties concerned; - it shall be on the basis of reducing balance or any means acceptable to the parties concerned; and - "interest" excludes premiums and other charges for insuring or guaranteeing supplier or financial credits, banking fees or commissions, and withholding taxes imposed by the importing country. (ii) Interest shall be paid not less frequently than annually, with the first payment to be made no later than twelve months after the starting point of export financing.
Risk sharing and premiums		(i) No payment of premium or any other related charge by importer either directly or indirectly; (ii) All risks borne, and adequately covered, by exporter.

Export Credits, Insurance and Guarantees

	Working Hypotheses	Variations/Additions
<p><i>Other Issues relating to S&D</i></p>		<ul style="list-style-type: none"> (i) Developing country Members shall be entitled to delay the implementation of any rules and disciplines applicable to the provision of export credits, export credit guarantees or insurance programmes for [five] years. Member countries will examine whether the rules/disciplines shall be applicable to developing countries at a review of the implementation of the commitments at the end of the [fifth] year. (ii) Elements included in the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on LDCs and Net Food-Importing Developing Countries (NFIDCs), including an establishment of a revolving fund, shall be implemented before the rules/disciplines on export credits, export credit guarantees or insurance programmes enter into force. (iii) The type of instruments used, the volume of food covered shall be mutually agreed between importing LDCs and NFIDCs and exporting countries and shall be notified to the Committee on Agriculture. (iv) Members which rely on export credits with government risk coverage as a way of providing food aid, shall switch to aid practices in fully grant form, in conformity with the disciplines to be established during the negotiations. (v) The development needs of exporting developing countries shall be taken into account as regards flexibility, possibly similar to that given under Article 9.4 of the Agreement on Agriculture, to use export credit, insurance or guarantee schemes to promote their exports. (vi) Export credits shall not be used to apply political pressure to net food-importing developing countries, especially because exports credits for imports of food products affect food security. (vii) The situation of countries with problems to pay in hard currency shall be taken into account as regards flexibility.

Food Aid

Working Hypotheses		Variations/Additions
<p>General approach / Types of food aid covered</p>	<p>The objective of WTO disciplines in this area shall be to prevent circumvention of export subsidy commitments by addressing only government to government aid (programme food aid), leaving the rules and commitments on emergency and project food aid to the responsibility of the relevant international organisations.</p>	<ul style="list-style-type: none"> (i) The WTO rules shall address all types of food aid. (ii) Disciplines shall exclude bona fide food aid defined as food aid which is demand driven and where demand is established by the competent international organizations, given completely in grant form, and is not tied to commercial operations.
<p>Concessionality</p>		<ul style="list-style-type: none"> (i) Food aid shall be [generally] given in grant form only. (ii) Concessional food aid implemented in response to appeals from relevant international organizations to ensure a necessary amount of food aid pursuant to the Marrakesh Decision shall be allowed. (iii) Schedules of Members who are food aid donors shall limit the monetary value of any non-grant food aid as a percentage of total food aid to the average for the years 2000-2002. This amount shall be bound and reduced in equal steps by a total of [X] per cent during the implementation period. Non-grant food aid reduced in this way shall be replaced by food aid in grant form in equal amounts.
<p>Specific disciplines</p>		<ul style="list-style-type: none"> (i) All food aid shall fully respect the provisions of Article IX(e)(i) of the FAC, which require that provision of food aid not be tied directly or indirectly, formally or informally, explicitly or implicitly, to commercial exports of agricultural products or other goods and services to recipient countries. (ii) Food aid shall result in additional consumption and not affect domestic production in the recipient country. In addition, provisions shall be developed to ensure increased triangular food aid transactions and local purchases. (iii) There shall be a commitment not to reduce food aid volumes when prices are high. (iv) Members' Schedule of commitments shall include commitments under the Food Aid Convention. Furthermore, aid levels shall be bound in Members' Schedules and shall not be reduced nor be subjected to export taxes or restrictions. (v) Concessions given pursuant to Article IX(a)(iii) of the Food Aid Convention 1999 shall not be subjected to reduction commitments under the Agreement on Agriculture nor be considered as circumvention of export competition commitments.

Food Aid

	Working Hypotheses	Variations/Additions
<p>Specific disciplines (cont'd)</p>		<p>(vi) For non-grant food aid or food aid which does not comply with the disciplines, future export subsidy and export credit disciplines shall apply.</p> <p>(vii) Food aid shall be allowed [in kind or in cash] [in kind only].</p> <p>(viii) Food aid that does not meet the criteria of bona fide food aid and that is in the form of concessional loans shall be treated under export credit disciplines. Food aid with concessional prices shall be treated as an export subsidy. Alternatively, food aid that does not meet the criteria can be prohibited.</p> <p>(ix) A substantial share of FAC aid shall be in financial terms. Reduction of food aid in kind shall be compensated by aid in financial terms. The reduction rate of aid in kind shall correspond to that applied to export subsidies or export credits.</p> <p>(x) Article 10 of the Agreement on Agriculture shall be changed as follows (changes are in <i>bold/italics</i>):</p> <p><u>A new paragraph inserted:</u></p> <p><i>10(3) bis. The following international food aid transactions shall be deemed to be genuine food aid that is not surplus disposal and does not circumvent export subsidy disciplines:</i></p> <p><i>(a) cash food aid provided in response to appeals from the united nations or other international or regional agencies;</i></p> <p><i>(b) in-kind food aid provided for emergencies in response to appeals from the united nations or other international or regional agencies;</i></p> <p><i>(c) project or programme food aid provided through the world food program or other international or regional agencies; and</i></p> <p><i>(d) food aid provided in cash without requiring to be purchased from the donor country (i.e. cash food aid, not in-kind food aid).</i></p> <p><u>Article 10.4 amended:</u></p> <p>10.4. Members donors of international food aid shall ensure :</p> <p>(a) that the provision of international food aid is not tied directly or indirectly to commercial exports of agricultural products or other <i>goods or services</i> to recipient countries;</p>

Food Aid

	Working Hypotheses	Variations/Additions
<p>Specific disciplines (cont'd)</p>		<p>(b) that international food aid transactions shall be carried out in accordance with the FAO "Principles of Surplus Disposal and Consultative Obligations", including, where appropriate, the system of Usual Marketing Requirements (UMRs). <i>In consultation with the food and agriculture organisation (FAO)-consultative sub-committee on surplus disposal (CSSD), the committee on agriculture shall be issued copies of CSSD documents in order to be informed on a regular basis of objections to food aid transactions in the CSSD; and</i></p> <p>(d) <i>that recipient countries agree that international food aid is not re-exported in any form; and</i></p> <p>(e) <i>that the programs or policy parameters of food aid programs are notified annually to the committee on agriculture of the WTO. Food aid transactions shall also be notified annually to the committee on agriculture covering the recipient, the channel and type of food aid, the type of product, amount shipped, source of product and month of shipment.</i></p> <p><u>A new paragraph added:</u></p> <p><i>10.5. Any operation that does not comply with any provision of paras 4 and 5 (here 3 bis and 4) of article 10 shall be prohibited."</i></p> <p>(xi) All non-targeted food aid shall be treated as commercial exports according to export subsidy commitments.</p> <p>(xii) Final individual recipients of food aid shall receive food aid freely or in exchange for work (food-for-work). Food aid cannot be sold on the local market.</p> <p>(xiii) Any food aid in kind beyond the FAC minimum commitments should only be given according to pre-established criteria and upon the request of UN Organisations such as the Office for the Co-ordination of Humanitarian Assistance (OCHA), World Food Programme (WFP) and the High Commissioner for Refugees. Such requests shall as appropriate be based on forecasts undertaken by FAO's Global Information and Early Warning System (GIEWS) and/or other independent agencies.</p> <p>(xiv) All donor countries shall be obliged to undertake an analysis of the recipient country's markets. This requirement shall be added to the Principles on Surplus Disposal in addition to Usual Marketing Requirements (UMRs). Existing standards in other bodies regarding displacement of commercial sales shall be examined to ensure non-circumvention.</p>

Food Aid

	Working Hypotheses	Variations/Additions
Transparency/ Notification requirements	All food aid shall be notified to the Committee on Agriculture.	<ul style="list-style-type: none"> (i) ES:1 notification requirements shall be strengthened to include more detailed food aid reports such as those submitted to the FAO's CSSD (including on recipient countries, tonnage, commodities, type of programme and Usual Marketing Requirements (UMRs)). Counter-notifications shall be allowed. (ii) Food aid quantities and values shall be notified by both donor and recipient countries, including product coverage, information on destinations, origins (e.g. local procurement, if applicable), terms of delivery (e.g. bona fide), cash/kind. (iii) If aid is not notified and if it does not comply with the rules of the responsible international organisations then it should be treated as an export subsidy. (iv) Concessional sales shall be notified as export subsidies. (v) Food aid in the form of credits shall be notified as export credits under new disciplines to be established.
S&D		<ul style="list-style-type: none"> (i) An international food stockholding system shall be put in place to deal with serious temporary crises in developing countries, in line with the Marrakesh NFIDC Decision. Food aid shall be based on the following principles: <ul style="list-style-type: none"> - donations shall be based on appeals from WFP and FAO to ensure real humanitarian objectives; - flexibility shall be needed to cover both grant and concessional aid; and - a stockpile shall be established by earmarking part of donor countries' normal stocks based on estimates of need by the responsible international agencies. (ii) NFIDCs shall have access to food aid and financial funds during periods of crisis using agreed upon mechanisms which do not adversely affect neither donors nor recipient Members. (iii) Technical assistance shall be provided to reduce long-term dependence on food aid. (iv) There shall be compensation to exporting developing countries that are adversely affected by surplus disposal in the guise of food aid by requiring donors to procure products from other developing countries, as international food aid organizations do.

Export State Trading Enterprises

Working Hypotheses		Variations/Additions
<p>Scope of entities to which disciplines would be applicable</p>		<ul style="list-style-type: none"> (i) The scope of entities to which disciplines will be applicable shall be as in GATT Article XVII, with the focus being on export state trading enterprises (STEs). (ii) The illustrative list of STEs developed by the Working Party on State Trading Enterprises shall be deemed relevant. (iii) The disciplines shall focus on STEs involved in export sale which have, directly or indirectly, a significant share of a respective Member's total exports of a particular product.
<p>Specific Disciplines</p>		<ul style="list-style-type: none"> (i) The disciplines shall cover exclusive rights and privileges, price pooling, cross subsidisation, exclusive export or domestic purchase rights, government financial support and export credit activities of STEs. (ii) Disciplines shall be developed: to prohibit government assistance; to establish minimum volumes of exports; and to set commitments on minimum stocks and contributions in cash or in kind to international food aid organisations to ensure the food security of importing countries. (iii) The rules in Article XVII of GATT and in the Agreement on Agriculture shall be deemed sufficient. (iv) Members shall not restrict the right of any interested entity to export or to purchase for export, agricultural products. (v) Export [STE] monopolies shall be eliminated. (vi) No special financing privileges (both direct or indirect) from a government to an export enterprise, including government grants, loans, loan guarantees or underwriting of operational costs and/or export credit guarantees shall be granted. (vii) Disciplines shall apply equally to STEs and to private sector enterprises.
<p>Transparency/ Notification requirements</p>	<p>Notification requirements shall be established to enable other Members to assess compliance of STEs with the disciplines applying to exporting STEs.</p>	<ul style="list-style-type: none"> (i) Any Member that has an export STE shall provide annual notifications including initial and subsequent acquisition costs incurred and export prices of products exported or sold for export on a transaction-specific basis. Any Member can request the Member maintaining an export state trading enterprise for agriculture to provide specific information concerning all operations relevant to the export of agricultural products.

Export State Trading Enterprises

	Working Hypotheses	Variations/Additions
<p>Transparency/ Notification requirements (cont'd)</p>		<p>(ii) Quarterly notification requirements shall be made an integral part of the Agreement for all export state trading enterprises. Notifications shall cover the volume and average price of exports to respective trade partners, average procurement prices and average domestic sales prices, and volume of domestic production. A notification table can include the name of the state trading enterprise, the name of the product and its HS code, the destination of exports, etc. State trading enterprises will also be required to notify elements in their annual plans relating to the volume and value of imports and/or exports, or, if applicable, that the annual plan does not contain such information.</p> <p>(iii) The existing notification requirements in Article XVII of GATT and the Agreement on Agriculture shall be deemed sufficient.</p> <p>(iv) Transparency requirements shall apply equally to STEs and to private sector enterprises.</p>
<p>S&D</p>		<p>(i) STEs in developing countries exporting any product constituting less than a certain percentage (5 per cent) of world trade shall be exempt from disciplines.</p> <p>(ii) STEs in developing countries which contribute to food security shall be exempt from disciplines.</p>

Export Restrictions

	Working Hypotheses	Variations/Additions
<p>Export restrictions: Specific disciplines</p>		<p>(i) Export restrictions shall be prohibited for all Members except developing countries.</p> <p>(ii) Export restrictions shall not be part of the negotiations.</p> <p>(iii) Following consultations with other Members, export restrictions and/or prohibitions shall be quantified and converted into export taxes, these taxes shall be bound in Members' Schedules and subject to reduction commitments.</p> <p>(iv) An exemption shall be made to a general prohibition on export restrictions in cases of agreed UN sanctions or under Article XX of GATT.</p> <p>(v) Members shall be informed before restrictions are introduced. Prior notification and consultation shall be mandatory when export restrictions are imposed on the products to be covered by these disciplines. Outside of this coverage, current disciplines in Article 12 of the Agreement on Agriculture shall be applied.</p> <p>(vi) When exporting countries face an emergency need to adjust export volume, a short-term export restriction shall be allowed until the completion of domestic procedure to impose export taxes, in order to ensure the food security of these countries:</p> <ul style="list-style-type: none"> - Member who intends to take this measure shall consult with other Members who have a 10 percent share or more as an export destination during the preceding three years; - the period of the export restriction shall not exceed one month; and - {X} per cent of domestic production shall be exempt from this restriction during implementation. <p>(vii) Article 12 of the Agreement on Agriculture shall be changed as follows (changes are in <i>bold/ italics</i>):</p> <p><u>Article 12.1 amended:</u></p> <p>12.1 Where any Member <i>maintains or</i> institutes any new export prohibition or restriction on foodstuffs in accordance with paragraph 2(a) of Article XI of GATT 1994, the Member shall observe the following provisions:</p> <p>(a) the Member <i>maintaining or</i> instituting the export prohibition or restriction shall give due consideration to the effects of such prohibition or restriction on importing Members' food security;</p>

Export Restrictions

	Working Hypotheses	Variations/Additions
<p>Export restrictions: Specific disciplines (cont'd)</p>		<p>(b) <i>the Member maintaining any export prohibition or restriction shall so notify the Committee on Agriculture, supplying information on elements such as the nature and duration of the said measure, and shall hold consultations, upon request, with any Member having a substantial interest as an importer with respect to any matter relating to the measure in question.</i></p> <p><u>A new paragraph added:</u></p> <p>12.3. In no circumstances shall any Member impose or maintain embargoes on foodstuffs and/or items associated with agricultural production, particularly in respect of net food-importing developing countries.</p>
<p>Export taxes: Specific Disciplines</p>		<p>(i) Export taxes shall not be part of the negotiations. Export taxes are not export subsidies nor are they export restrictions or prohibitions as they are not mentioned in Part VI of the Agreement on Agriculture and this distinction is confirmed by Article XI of GATT.</p> <p>(ii) Export restrictions and taxes are linked to food security and distort international trade, and therefore shall be an integral part of the negotiations.</p> <p>(iii) Export taxes shall be prohibited for all Members except developing countries. Bound rates of export taxes for all agricultural products based on risks and other factors obtained from past experiences shall be established in Members' schedules and subject to a progressive reduction of 36 per cent + {X} per cent during the implementation period. Exports up to {X} per cent of the average volume of production during the preceeding 3 years shall be exempted from export taxes.</p> <p>(iv) Article XI of GATT refers to export taxes as a form of non-prohibited export restriction, hence compliance shall be ensured with the basic principles on prohibition of quantitative restrictions.</p>
<p>S&D</p>		<p>(i) Developing countries shall be excluded from the disciplines to be established except developing countries which are net exporters of the foodstuffs concerned.</p>

Export Restrictions

	Working Hypotheses	Variations/Additions
S&D (cont'd)		<p>(ii) In some circumstances developing countries shall be allowed to use export restrictions and taxes to address food security concerns or other commercial and marketing policy objectives.</p> <p>(iii) Developing country Members shall only be allowed to apply an export tax in conformity with the following provisions:</p> <ul style="list-style-type: none"> - the export tax shall apply to all agricultural products; - the export tax shall be applied at a uniform rate across all agricultural products; - the export tax shall be applied without modification for a period of at least one year; any subsequent modification shall apply for a period of at least one year from the date of such modification; and - any developing country Member applying, proposing or modifying an export tax shall supply such information to the Committee on Agriculture prior to its application or modification. <p>(iv) Developing countries shall be afforded access to an equivalent of an export safeguard allowing them to introduce restrictions or taxes in certain emergency situations.</p> <p>(v) No commitments other than notification shall be expected under this heading from LDCs and, in justified cases, from other developing countries and vulnerable economies in transition. Article 12 of the Agreement on Agriculture shall be adjusted accordingly. Any Member falling in these categories and applying, proposing or modifying export restrictions or export taxes shall supply such information to the Committee on Agriculture prior to its application or modification.</p> <p>(vi) There shall be no export taxes or export restrictions on food destined for LDCs and NFIDCs.</p>

Green Box¹⁵

	Working Hypotheses	Variations/Additions
General disciplines (paragraph 1)	Maintain the basic criteria as per paragraph 1 of Annex 2.	(i) The basic criterion in paragraph 1(b) of Annex 2 to be modified to provide that the support in question shall not have the effect of providing production support or price support to producers.
Measures exempted from reduction commitments <i>Public stockholding for food security purposes (paragraph 3)</i>	Maintain the criteria and conditions as per paragraph 3 of Annex 2.	(i) Food purchases by the government to be allowed to be made at administered prices.
<i>Direct payments to producers (paragraph 5)</i>		(i) Maintain the existing criteria and conditions in paragraph 5. (ii) Add to the existing paragraph 5: <i>All base periods shall be notified. [These direct payments] [Such a direct payment] shall be based on activities in a fixed and unchanging historical base period.</i> (iii) For direct payments to producers, all base periods (i.e. 1986-88) should be notified and payments should be time limited.
<i>Decoupled income support (paragraph 6)</i>		(i) Maintain the existing criteria and conditions in paragraph 6. (ii) Modify the existing subparagraph (a) and add new subparagraph (e bis): (a) Eligibility for such payments shall be determined by clearly-defined criteria such as income, status as a producer or landowner, factor use or production level in a <i>defined, fixed and unchanging historical</i> base period. <i>(e bis) Payments [to individual producers] shall be available for no more than three years and shall not be renewed.</i>

¹⁵ In this and the following tables:

Italicised text in bold indicates additions/revisions and strike-out indicates deletions of the relevant provisions of the Agreement on Agriculture.

Square-bracketed text indicates alternative proposals.

{ } indicates that the number in brackets remains to be determined.

Green Box

Working Hypotheses

Variations/Additions

Government financial participation in income insurance and income safety-net programmes (paragraph 7)

- (i) Maintain the existing criteria and conditions in paragraph 7.
- (ii) Modify the existing subparagraphs (a), (b) and (c) as follows:
 - (a) Eligibility for such payments shall be determined by an income loss, taking into account only income derived from agriculture, which exceeds 30 per cent of average gross income or the equivalent in net income terms (excluding any payments from the same or similar schemes) in the preceding three **to five**-year period or a three-year average based on the preceding five-year period, excluding the highest and the lowest entry. Any producer meeting this condition shall be eligible to receive the payments **from the government**.
 - (b) The amount of such **payments by governments shall restore a producer's income to no more than 70 per cent of income derived by that producer from agriculture in the averaging period used to trigger eligibility for payment.** ~~compensate for less than 70 per cent of the producer's income loss in the year the producer becomes eligible to receive this assistance.~~
 - (c) The amount of any such payments shall relate solely to income **derived from agriculture of the farm enterprise as a whole**; it shall not relate to the type or volume of production (including livestock units) undertaken by the producer; or to the prices, domestic or international, applying to such production; or to the factors of production employed.
- (iii) Modify the existing subparagraphs (a) and (b) as follows:
 - (a) Eligibility for such payments shall be determined by an income loss, taking into account only income derived from agriculture, which exceeds **a certain proportion** ~~30 per cent~~ of average gross income or the equivalent in net income terms (excluding any payments from the same or similar schemes), **which shall be clearly defined in national legislation** ~~in the preceding three-year period or a three-year average based on the preceding five-year period, excluding the highest and the lowest entry.~~ Any producer meeting this condition shall be eligible to receive the payments.
 - (b) The amount of such payments shall compensate for less than **a certain proportion** ~~70 per cent~~ of the producer's income loss, **which shall be clearly defined in national legislation**, in the year the producer becomes eligible to receive this assistance.
- (iv) The minimum income loss criterion of 30 per cent in paragraph 7(a) of Annex 2 to be lowered [and the maximum compensation criterion of 70 per cent in paragraph 7(b) of Annex 2 to be raised].

Green Box

	Working Hypotheses	Variations/Additions
<p><i>Payments (made either directly or by way of government financial participation in crop insurance schemes) for relief from natural disasters (paragraph 8)</i></p>		<p>(i) Maintain the existing criteria and conditions in paragraph 8.</p> <p>(ii) Add to the existing subparagraph (a) and modify the existing subparagraphs (b) and (d) as follows:</p> <p>(a) Eligibility for such payments shall arise:</p> <ul style="list-style-type: none"> - <i>in the case of disasters</i> only following ... - <i>in the case of government financial participation in crop insurance schemes, eligibility for such payments shall be determined by a production loss which exceeds 30 per cent of the average of production in an actuarially appropriate period.</i> - <i>in the case of the destruction of animals or crops to control or prevent diseases named in national legislation or international standards, the production loss may be less than the 30 per cent of the average production referred to above.</i> <p>(b) Payments made following a disaster <i>under paragraph 8</i> shall be applied only in respect of losses of income, livestock (including payments in connection with the veterinary treatment of animals), land or other production factors due to the natural disaster <i>or destruction of animals or crops</i> in question.</p> <p>(d) Payments made during a disaster <i>under paragraph 8</i> shall not exceed the level required to prevent or alleviate further loss as defined in criterion (b) above.</p> <p>(iii) Add to the existing subparagraph (a):</p> <p>(a) Eligibility for such payments shall arise:</p> <ul style="list-style-type: none"> - <i>in the case of disasters</i>, only following ... - <i>in the case of government financial participation in crop insurance schemes, eligibility for such payments shall be determined by a loss which exceeds 30 per cent of the average productive capability insured in an averaging period which reflects the actual experience of that Member for such insurance.</i> - <i>in the case of the destruction of animals or crops to control or prevent diseases named in national legislation or international standards, the production loss may be less than the 30 per cent of the average of production referred to in the first indent above.</i> <p>(iv) The minimum production loss criterion of 30 per cent in paragraph 8(a) of Annex 2 to be lowered.</p>

Green Box

	Working Hypotheses	Variations/Additions
<p><i>Payments (made either directly or by way of government financial participation in crop insurance schemes) for relief from natural disasters (paragraph 8) (cont'd)</i></p>		<p>(v) The production loss measured in terms of three-year averages as per paragraph 8(a) of Annex 2 to be reviewed.</p> <p>(vi) Modify the existing subparagraph (a) as follows:</p> <p>(a) Eligibility for such payments shall arise only following a formal recognition by government authorities that a natural or like disaster (including disease outbreaks, pest infestations, nuclear accidents, and war on the territory of the Member concerned) has occurred or is occurring; and shall be determined by a production loss which exceeds the level to be clearly defined in national legislation 30 per cent of the average of production in the preceding three-year period or a three-year average based on the preceding five-year period, excluding the highest and the lowest entry.</p>
<p><i>Structural adjustment assistance provided through producer retirement programmes (paragraph 9)</i></p>		<p>(i) Maintain the existing criteria and conditions in paragraph 9.</p> <p>(ii) Modify the existing subparagraph (b) as follows:</p> <p>(b) Payments shall be conditional upon the total and permanent retirement of the recipients from marketable agricultural production and shall be time limited.</p> <p>(iii) Modify the existing subparagraph (b) as follows:</p> <p>(b) Payments shall be conditional upon the total and permanent retirement of the recipients from marketable agricultural production or lending of land for a longer period than {X} years.</p>
<p><i>Structural adjustment assistance provided through resource retirement programmes (paragraph 10)</i></p>		<p>(i) Maintain the existing criteria and conditions in paragraph 10.</p> <p>(ii) Add at the end of the existing subparagraph (d): Payments shall be time limited.</p> <p>(iii) The minimum retirement period in paragraph 10(b) of Annex 2 to be reduced to one year.</p>

Green Box

	Working Hypotheses	Variations/Additions
<p><i>Structural adjustment assistance provided through investment aids (paragraph 11)</i></p>		<p>(i) Maintain the existing criteria and conditions in paragraph 11.</p> <p>(ii) Add at the end of the existing subparagraph (a), modify the existing subparagraph (b), and add new subparagraph (b <i>bis</i>) as follows:</p> <p>(a) Such structural disadvantages must be clearly defined.</p> <p>(b) The amount of such payments in any given year shall not be related to, or based on, the type or volume of production [or inputs into the production] (including livestock units) undertaken by the producer in any year after a fixed and unchanging historical the base period, other than as provided for under criterion (e) below.</p> <p>[(b bis) The amount of such payments in any given year shall not be related to, or based on, the use of factors of production in any given year after the base period.]</p>
<p><i>Payments under environmental programmes (paragraph 12)</i></p>		<p>(i) Maintain the existing criteria and conditions in paragraph 12.</p> <p>(ii) Modify the existing subparagraphs (a) and (b) as follows:</p> <p>(a) Eligibility for such payments shall be determined as part of a clearly-defined government environmental or conservation programme and be dependent on the fulfilment of specific conditions under the government programme. including conditions related to production methods or inputs.</p> <p>(b) The amount of payment shall be less than the extra costs involved in complying with the government programme and not be related to or based on the volume of production. limited to the extra costs or loss of income involved in complying with the government programme.</p> <p>(iii) Modify the existing subparagraph (b) as follows:</p> <p>(b) The amount of payment shall be limited to the following:</p> <ul style="list-style-type: none"> - the extra costs or, loss of income involved in complying with the government programme; or - the minimum amount to compensate for the provision of any environmental benefits which shall be clearly defined in national legislation. <p>(iv) Landscape payments should be considered under paragraph 12.</p>

Green Box

	Working Hypotheses	Variations/Additions
<p><i>Payments under regional assistance programmes (paragraph 13)</i></p>		<ul style="list-style-type: none"> (i) Maintain the existing criteria and conditions in paragraph 13. (ii) Modify the existing subparagraph (b) as follows: <ul style="list-style-type: none"> (b) The amount of such payments in any given year shall not be related to, or based on, the type or volume of production (including livestock units) undertaken by the producer in any year after the fixed and unchanging historical base period, which shall be notified, other than to reduce that production. (iii) A clear definition of "disadvantaged area" as referred to in paragraph 13(a) of Annex 2 to be established. The average poverty level of developing country Members set by the World Bank (i.e. daily per capita income less than US\$1) to be used as the criterion. (iv) Criteria to be established for defining a particular region as less favoured, marginal or disadvantaged. Flexibility to be given to provide support to such regions to maintain and improve their traditional production systems and the environment. The extent of such regions expressed as percentage of the national territory of a Member to be limited by a <i>de minimis</i> clause, varied by climatic zone with S&D for developing countries.
<p>Add new paragraphs</p>		<ul style="list-style-type: none"> (i) New categories in the Green Box should not be added.
<p><i>Exempt measures for countries in transition</i></p>		<ul style="list-style-type: none"> (i) Countries in transition shall be temporarily exempted from reduction commitments with respect to subsidies such as investment subsidies and input subsidies generally available to agriculture, interest rate subsidies to reduce the costs of financing and grants to cover debt repayment.
<p><i>Animal welfare payments</i></p>		<ul style="list-style-type: none"> (i) Payments to compensate additional costs of complying with higher standards for animal welfare to be allowed.
<p><i>Payments compensating for extra costs accruing from higher production standards</i></p>		<ul style="list-style-type: none"> (i) Eligibility for such payments shall be determined as part of a clearly-defined government programme designed to address non-producer concerns such as consumer and societal demands and be dependent on the fulfilment of specific conditions related to production methods or inputs.
<p><i>Payments compensating for extra costs accruing from higher food safety standards</i></p>		<ul style="list-style-type: none"> (i) Extra costs arising from higher than international food safety standards to be compensated by Green Box support.

Green Box

Working Hypotheses		Variations/Additions
<p><i>Payments to maintain domestic production capacity of staple crops for food security purposes</i></p>		<p>(i) (a) Eligibility for such payments shall be determined by reference to clearly defined criteria in government programmes designed to provide support for the producers of staple crops.</p> <p>(b) Total production of the crop shall account for no less than {X} per cent of the total value of agricultural production and;</p> <p>- Total consumption of such crop shall account for no less than {Y} per cent of the total domestic consumption of agricultural products in terms of calorie intake; or</p> <p>- Total export of such crop shall account for no less than {Z} per cent of the total export of a particular country.</p> <p>(c) The amount of payment shall be limited to the minimum to maintain domestic production capacity of such crop in that particular country.</p>
<p><i>Payments to small scale family farms for the purpose of maintaining rural viability and cultural heritage</i></p>		<p>(i) (a) Eligibility for such payments shall be determined by reference to clearly defined criteria in government programmes designed to provide support for small scale family farms.</p> <p>(b) Small scale farms shall be defined in national legislation, taking into account such factors as total annual sales, share of hired farm labour, off farm income, etc.</p> <p>(c) The amount of such payment shall be limited to the minimum level for continued existence of such farms based on the purpose of maintaining rural viability and cultural heritage.</p> <p>(d) The payment shall not mandate or in any way designate the agricultural products to be produced by the recipients.</p>

Green Box

	Working Hypotheses	Variations/Additions
<p>Other disciplines</p> <p><i>Limits to Green Box expenditures</i></p>		<p>(i) Maintain the status quo (i.e. no capping or any other limitation on Green Box expenditures).</p> <p>(ii) Measures meeting the criteria of the subsequent paragraphs to be [subject to reduction commitments jointly or severally] [eliminated]: Paragraph 5, 6, 7 and 11 of Annex 2.</p> <p>(iii) A cap to be established in respect of: Variant 1: Total Green Box expenditures [for developed countries]. Variant 2: Direct payments in Annex 2. Variant 3: Payments under paragraphs 5, 6 and 7 of Annex 2 for developed countries. Variant 4: Domestic support of all types, including Amber support, Blue Box support and Green Box direct payments to producers, but excluding measures meeting criteria for paragraphs 2, 3, and 4 of Annex 2. Variant 5: Domestic support of all types, including Amber Box support, Blue Box support and Green Box support, at 10 per cent of the value of total agricultural production.</p>
<p><i>Non-actionability of Green Box measures</i></p>		<p>(i) Measures meeting Annex 2 criteria to be non-actionable for the purpose of countervailing duties.</p>
<p>Transparency/ Notification requirements</p>		<p>(i) Transparency, notification and review mechanisms to be strengthened to ensure programmes meet the criteria in Annex 2.</p>

Green Box

	Working Hypotheses	Variations/Additions
<p>S&D</p> <p><i>Payments (made either directly or by way of government financial participation in crop insurance schemes) for relief from natural disasters (paragraph 8)</i></p>		<p>(i) Modify the existing subparagraph (a) and add new paragraph 8 <i>bis</i> as follows:</p> <p>(a) Eligibility for such payments shall arise only following a formal recognition by government authorities that a natural disaster or like disaster (including disease outbreaks, pest infestations, nuclear accidents, and war on territory of the Member concerned) has occurred or is occurring; and, <i>in a developed country Member</i>, shall be determined by a production loss which exceeds 30 percent of the average of production in the preceding three-year period or a three-year average based on the preceding five-year period, excluding the highest and the lowest entry. <i>A developing country Member may provide a disaster relief to producers when the estimated production loss exceeds 10 percent of the preceding year.</i></p> <p><i>8 bis Payments for rehabilitation of production capacity after natural disasters</i></p> <p><i>Such payments may be provided to agricultural producers in developing countries to facilitate the recovery of the production capacity which has been damaged by an officially recognized natural or like disaster.</i></p> <p>(ii) Eligibility for payments made by any developing country Member under paragraph 8(a) of Annex 2 of the Agreement on Agriculture shall be determined by a production loss of a proportion of the average of production in the preceding three-year period, to be determined in national legislation.</p> <p>(iii) The threshold levels of production or income loss set out for payments made for relief from natural disasters under paragraph 8 of Annex 2 should not apply to developing countries.</p>
<p><i>Public stockholding for food security purposes (paragraph 3)</i></p>		<p>(i) Paragraph 3 of Annex 2 to be revised to address the difficulties of developing countries in meeting the condition that the volume and accumulation of food security stocks shall correspond to "predetermined targets".</p>

Green Box

	Working Hypotheses	Variations/Additions
<p><i>Public stockholding for food security purposes (paragraph 3) (cont'd)</i></p>		<p>(ii) Modify the existing footnote 5 to paragraph 3 of Annex 2 as follows:</p> <p>For the purposes of paragraph 3 of this Annex, governmental stockholding programmes for food security purposes in developing countries whose operation is transparent and conducted in accordance with officially published objective criteria or guidelines guidance shall be considered to be in conformity with the provisions of this paragraph, including programmes under which stocks of foodstuffs for food security purposes are acquired and released at administered prices, provided that the difference between the acquisition price and the external reference price is accounted for in the AMS.</p>
<p><i>Government financial participation in income insurance and income safety-net programmes (paragraph 7)</i></p>		<p>(i) Eligibility for payments made by any developing country Member under paragraph 7 of Annex 2 of the Agreement on Agriculture shall be determined by an income loss of a proportion of the average gross income or the equivalent in net income terms, to be determined in national legislation.</p>
<p><i>Payments under regional assistance programmes (paragraph 13)</i></p>		<p>(i) Paragraph 13(a) of Annex 2 to be revised to reflect the fact that in some developing countries there are no regions that constitute "a clearly designated contiguous geographical area with a definable economic and administrative identity".</p> <p>(ii) The requirement of paragraph 13(d) of Annex 2 that payments under regional assistance programme shall be available only to producers in eligible regions shall be waived for developing countries. Developing countries shall be allowed to target such assistance to predominantly low-income and resource-poor producers in the concerned region pursuant to national poverty reduction strategies.</p> <p>(iii) Add new subparagraph (f bis) in paragraph 13:</p> <p><i>(f bis) The criteria set out in (b), (c), and (e) of this paragraph do not apply to a developing country Member.</i></p>
<p><i>Exempt measures for developing countries</i></p>		<p>(i) Any support provided by any developing country Member in respect of an agricultural product whose productivity in that country is less than the world average (as determined by FAO), and exports of that product represent less than 3.25 per cent of world trade of that product for five consecutive calendar years, shall be deemed to have no, or at most minimal, trade-distorting effects or effects on production and hence be excluded from any domestic support calculation.</p>

Green Box

	Working Hypotheses	Variations/Additions
<p><i>Exempt measures for developing countries (cont'd)</i></p>		<ul style="list-style-type: none"> (ii) Spending by any developing country Member on transportation costs for food security and staple crops from surplus to deficit parts of the country shall be excluded from any domestic support calculation. (iii) Government measures of assistance, whether direct or indirect, to encourage agricultural and rural development, rural employment, food security, poverty alleviation, and diversification of agriculture shall become an integral part of Annex 2 of the Agreement on Agriculture. (iv) Policy measures specified below shall be an integral part of Annex 2 of the Agreement on Agriculture: <ul style="list-style-type: none"> (a) Investment subsidies which are generally available to agriculture in developing country Members; (b) Agricultural input subsidies whether in cash or in kind, generally available to low-income and resource poor producers in developing country Members; (c) Domestic support to producers in developing country Members to encourage diversification from the growing of illicit narcotic crops, or those whose non-edible or non-drinkable products, being lawful, are widely recognised as harmful for human health. (v) Create additional specification of criteria for non-trade-distorting support by developing countries in the areas of: investment and infrastructure, domestic marketing systems, risk management, conservation and productivity enhancement. (vi) Add new paragraph for payments for supporting production capacities of the basic foodstuff considered as the main national product (wheat, rice and livestock – sheep, horses) with the objective of product security. These reserves can be utilized solely for domestic consumption and not for export. These products can be sold at administered prices allowed to the developing, least-developed and vulnerable transition economies.
<p><i>Limits to Green Box expenditures</i></p>		<ul style="list-style-type: none"> (i) Developing country Members shall retain the flexibility to provide support under paragraphs 5, 6, 7 and 11 of Annex 2. (ii) Developing countries shall be exempt from a cap established in respect of [total Green Box expenditures] [domestic support of all types].

Article 6.2

Working Hypotheses		Variations/Additions
<p>Scope and criteria</p>	<p>Maintain [and broaden] the existing Article 6.2 exceptions for developing countries.</p>	<p>(i) Modify the existing paragraph 2 of Article 6 as follows: In accordance with the Mid-Term Review Agreement ... to encourage diversification from growing illicit narcotic crops, or those whose non-edible or non-drinkable products, being lawful, are widely recognized as harmful for human health. Domestic support ...</p> <p>(ii) The following government measures, whether direct or indirect, to encourage food security, agricultural and rural development, and product diversification are an integral part of the development programmes of developing countries, and should be exempt from the reduction commitments.</p> <p>(a) investment subsidies whether or not provided to targeted producers or products;</p> <p>(b) input subsidies, whether or not provided to targeted producers or products;</p> <p>(c) support to encourage diversification from growing illicit narcotic crops as well as such crops that are licit but are harmful as determined by (for instance WHO) to human health e.g. tobacco;</p> <p>(d) subsidies to marketing costs (e.g. internal transport, post-harvest storage, agricultural cooperatives, product quality improvement), whether or not provided to targeted producers or products.</p> <p>Products that are exported and that are obtaining at least 3.25 per cent of the world market share are excluded from the list of eligible products for the domestic support measures mentioned above.</p> <p>(iii) Further flexibility to be made available to developing countries, either in the framework of Article 6.2 or a Development Box, to pursue their legitimate development needs, including food security, rural development and poverty reduction strategies by exempting from reduction commitments:</p> <p>(a) programmes, including those listed below, targeted at low-income and resource-poor producers using clear and objective criteria:</p>

Article 6.2

	Working Hypotheses	Variations/Additions
<p>Scope and criteria (cont'd)</p>		<ul style="list-style-type: none"> - agricultural input subsidies, whether in cash or kind; - product-specific support; - government subsidies for concessional loans through established credit institutions or for the establishment of regional and community credit cooperatives; - capacity building measures with the objective of enhancing the competitiveness and marketing of low-income and resource poor producers; - government transportation subsidies for agricultural products and farm inputs [to remote areas]; - government assistance in helping establish and operate agricultural cooperatives; - on-farm employment subsidies for families of low-income and resource-poor producers; - government sponsoring of savings instruments to reduce year-to-year variations in farm incomes. <p>(b) support to increase domestic production of staple crops for domestic consumption;</p> <p>(c) marketing support programmes and programmes aimed at compliance with quality as well as sanitary and phytosanitary regulations.</p> <p>(iv) Members shall establish additional criteria to exempt support measures which are essential to development and food security objectives, facilitate the development of targeted programs to increase investment and improve infrastructure, enhance domestic marketing systems, help farmers manage risk, encourage conservation measures, and increase productivity of subsistence producers.</p> <p>(v) Exemptions should include payments for food security, poverty reduction, and horizontal and vertical diversification of agricultural production.</p> <p>(vi) When support is provided by a developing country, in respect of a crop whose productivity in that country is less than the world average (as determined by FAO) if the product is destined for domestic market, and if the production is destined for export market and the export component of that product represents less than 3.25 per cent of world trade of that product for two consecutive years, those measures provided for those products shall automatically be deemed to be measures that are exempted and fall within the purview of Article 6.2.</p>

Article 6.2

	Working Hypotheses	Variations/Additions
Scope and criteria (cont'd)		<p>(vii) The possible expansion of Article 6.2 provisions should target LDCs and low-income countries, irrespective of their status as developing countries.</p> <p>(viii) Special rights and privileges and flexibilities in the fulfilment of obligations given to different categories of countries shall be enjoyed by all Members that fulfil the objective criteria and/or economic indicators underlying such categorisation.</p>
Transparency/ Notification requirements		<p>(i) Developing country Members that maintain agricultural development programmes and implement them through their national legislation or regulations or acclamations to pursue objectives, such as for food security, poverty alleviation, rural development, rural employment and diversification of agriculture shall notify such programmes to the Committee of Agriculture on a regular basis. Any new or modified support measures for which exemption from reduction is claimed shall be notified promptly.</p>

Blue Box

	Working Hypotheses	Variations/Additions
Concept/ Other disciplines		<ul style="list-style-type: none"> (i) The exemption contained in Article 6.5 to be eliminated. (ii) Blue Box payments to be reduced from the average level notified over 1995-2001 to zero over five years for developed countries. [Developed countries to commit to] a reduction of 50 per cent in the first year of implementation to be followed by equal cuts over the following years to reach zero. (iii) Blue Box support in developed countries shall be eliminated within three years with a 50 per cent reduction in the first year and 25 per cent annual reduction for the next two years. (iv) Maintain the concept of the Blue Box as per Article 6.5(a). (v) The Blue Box to be continued without any cap.
Criteria		<ul style="list-style-type: none"> (i) Maintain the criteria regarding "production limiting" and with respect to conditions as stipulated in subparagraphs (i) to (iii) of Article 6.5(a).
Transparency/ Notification requirements		<ul style="list-style-type: none"> (i) Notification requirements to be established which are similar to those currently in place for Amber Box measures.
S&D		<ul style="list-style-type: none"> (i) Blue Box payments to be reduced from the average level notified over 1995-2001 to zero over nine years for developing countries. [Developed countries to commit to] a reduction of 50 per cent in the first year of implementation to be followed by equal cuts over the following years to reach zero.

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	Working Hypotheses	Variations/Additions
<p>Base levels</p>	<p>The base level for reductions shall be the final bound commitment levels as per Part IV Section I of Members' Schedules.</p>	<p>(i) The starting-point for new non-product-specific and product-specific commitments to be the final bound Total AMS level. Product commitments would be defined by the specificity in Members' Current AMS notifications. There would also be a non-product-specific category where that currently appears in Members' notifications.</p> <p>Base levels for product-specific reduction commitments would be linked to the (currently aggregated) final bound AMS commitment. Each subsidised product would be allocated a share of the total final bound AMS commitment level based on the actual product share in, for example, 2000-2001. Where a Member has Blue Box support, it shall be taken into account in the allocation of the share of the final bound AMS between products. Developing countries could be permitted to undertake reduction commitments on groups of products, or be allowed to allocate a share of the final bound AMS level that could be used for new products.</p> <p>(ii) The base level for the staging of further commitments shall be the average actual support level for the years 1995-2000 or the bound level for the year 2000, whichever is lower.</p> <p>(iii) An average of support levels over a representative three-year period to be used, provided that the period is not chosen to maximise support levels.</p>
<p>Calculation methodology of AMS/EMS</p> <p><i>Eligible production/applied administered price</i></p>		<p>(i) Maintain the calculation methodology of the AMS and EMS as per Annex 3 and 4, respectively.</p> <p>(ii) To prevent circumvention of domestic support reduction commitments, the AMS methodology should be improved in two specific ways:</p> <p>(a) The term "quantity of production eligible to receive" (paragraph 8 of Annex 3) to be clearly understood to include all marketable production that receives, directly or indirectly, supported price signals, including (but not limited to) through government intervention purchasing; and</p> <p>(b) where a WTO Member has abolished an "applied administered price" (paragraph 8 of Annex 3), yet similar levels of support continue to be provided to producers through any other measure; that is, no effective policy reform has actually occurred, then that Member be required to use a representative domestic market price in lieu of the applied administered price in the calculation of the market price support element of the AMS.</p> <p>The starting point for new reductions on domestic support should be rectified accordingly where adjustments of either of the above have been employed since the establishment of Uruguay Round commitment schedules.</p>

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	Working Hypotheses	Variations/Additions
<i>Product-/non-product-specific support</i>		<p>(i) Non-product-specific support to be defined by requiring that crop specificity be established and that such measures in any given year not be related to or based on the type of volume of production, prices (domestic or international) and factors of production.</p> <p>(ii) Disciplines to be strengthened to avoid product-specific support from being improperly classified as non-product-specific support.</p>
<i>Inflation adjustment</i>		<p>(i) Maintain the provisions of Article 18.4 of the Agreement.</p> <p>(ii) Countries with excessive rates of inflation to be given flexibility to apply different methods of calculation. A uniform stable currency or a basket of currencies to be used to notify domestic support.</p> <p>(iii) Inflation and currency depreciation [in developing countries] should be taken into account.</p> <p>(iv) Monetary domestic support commitments should be subject to annual inflation adjustments.</p> <p>(v) Inflation adjustments of domestic support commitments should not be allowed.</p>
Specificity of further commitments/ reduction method/target for further commitments/ implementation period/staging		<p>(i) The Uruguay Round formula to be used [to reduce the Total AMS by {X} per cent from the final bound commitment level]. The Total AMS commitment to be maintained at the aggregate level.</p> <p>(ii) The final bound AMS commitment currently in Members' Schedules to be reduced to zero [on a product-specific disaggregated basis] over five years for developed countries. [Developed countries to commit to] a reduction of 50 per cent in the first year of implementation to be followed by equal cuts over the following years to reach zero.</p> <p>(iii) Members shall simplify domestic support disciplines into two categories:</p> <ul style="list-style-type: none"> - exempt support, as defined by criteria-based measures that have no, or at most minimal, trade-distorting effects or effects on production; and - non-exempt support, as defined by the Aggregate Measurement of Support (AMS) and production-limiting support as defined in Article 6.5 of the Agreement on Agriculture.

Amber Box

	Working Hypotheses	Variations/Additions
<p>Specificity of further commitments/ reduction method/target for further commitments/ implementation period/staging (cont'd)</p>		<p>Non-exempt support shall be subject to annual reduction commitments specified in Members' schedules. The allowed level of non-exempt support shall be reduced from the Member's final bound AMS ceiling to 5 per cent of the Member's average value of total agricultural production in the base period of 1996-1998 through equal annual reduction commitments over a five-year period. Members whose final bound AMS is less than 5 per cent shall maintain their ceiling for non-exempt support at the final bound AMS level. In the calculation of non-exempt support, a Member shall not include domestic support that is consistent with the provisions of Article 6.4 of the Agreement on Agriculture.</p> <p>In addition to the reduction modality described above, Members shall agree to eliminate all non-exempt domestic support by a date to be established in these negotiations.</p> <p>(iv) The Total AMS of developed country Members shall be bound and further reduced. The ceiling of Total AMS of these countries shall be set in terms of their total value of agricultural production in the previous year. Amber Box and Blue Box support in developed countries shall be eliminated within three years, with a 50 per cent reduction in the first year and 25 per cent annual reduction for the next two years. Developed countries shall make reduction commitments on an aggregate and product-specific basis.</p> <p>(v) The Total AMS shall be reduced on a product-specific basis to zero over [four years] [a six-year period commencing in the year 2005], in equal annual instalments. Developed country Members shall commit to a 50 per cent down-payment of the total reduction target over the first year of the implementation period.</p> <p>(vi) Reduction commitments to be undertaken on a product-specific basis, resulting in reduction of all trade-distorting support, in the Amber Box, the Blue Box and Annex 2 (paragraphs 5, 6, and 7), to the <i>de minimis</i> level at the end of the implementation period.</p> <p>(vii) The AMS should be maintained as an aggregate measurement and not be turned into a product-specific commitment. Further AMS reduction commitments should be differentiated according to export orientation. The home-market oriented AMS should be subject to a reduction of {X} per cent, while the export-oriented AMS should be subject to a reduction of {Y} per cent (X<Y), based on available production and export statistics of a given base year. Reduction commitments should be implemented in equal instalments over {X} years.</p>

Amber Box

	Working Hypotheses	Variations/Additions
<p>Specificity of further commitments/ reduction method/target for further commitments/ implementation period/staging (cont'd)</p>		<p>(viii) Reductions of trade-distorting domestic support to be made on a disaggregated basis, including a substantial down-payment in the first year of implementation, with the remaining trade-distorting domestic support to be reduced on the basis of two different schedules. For products benefiting from trade-distorting domestic support that were exported (i.e., defined as products from countries whose share of the international market in those particular products is greater than 3 per cent) support to be phased out in three equal annual reductions leading to elimination. Reductions of trade-distorting domestic support on products not exported or whose share of international market is not greater than 3 per cent, to be subject to a longer implementation period.</p> <p>(ix) Disciplines concerning domestic support measures that are variable in relation to market prices, e.g. deficiency payments, should be strengthened. Such aids for products of which a substantial proportion is exported should be subject to the same reduction commitments as export subsidies.</p> <p>(x) Export-enhancing domestic support such as price pooling and compensatory payments, including deficiency payments, applied to commodities destined for export should be subject to additional disciplines similar to those applied to export subsidies.</p> <p>(xi) There should be only two categories of support: Green and Amber Boxes. All trade distorting domestic support should be substantially reduced on an aggregate and product specific basis. An initial substantial reduction of the Total AMS between 50-70 per cent should be made, followed by annual reductions. With respect to product-specific commitments, reductions should be at least 40-50 per cent of the average values of the last three years of the Uruguay Round implementation. Reductions should be implemented over three years for developed countries.</p> <p>(xii) Further reduction commitments for recently-acceded Members should be undertaken from the bound levels of the AMS and the following flexibilities for reduction commitments should be granted: i) the level of the AMS reduction should be lower than for developed countries; ii) there should be longer implementation periods for the new commitments; and, iii) implementation of the new commitments should be delayed (i.e. there should be some pause between the end of implementation of accession commitments and the beginning of implementation of new reduction commitments).</p>

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	Working Hypotheses	Variations/Additions
<p>Specificity of further commitments/ reduction method/target for further commitments/ implementation period/staging (cont'd)</p>		<p>The specific drafting proposal for modalities in the area of the Amber Box is as follows:</p> <p>Taking into account the provisions of paragraph 9 of the Doha Ministerial Declaration, the recently-acceded Members shall reduce their AMS level by {...} per cent, during {...} years of the implementation period, starting after the {...} years of entry into force of the Doha Development Agenda results.</p>
<p><i>De minimis</i> provisions</p>		<ul style="list-style-type: none"> (i) Maintain the <i>de minimis</i> provisions as per Article 6.4(a). (ii) The <i>de minimis</i> provision to be eliminated for developed countries. (iii) The <i>de minimis</i> support provisions as provided for in Article 6.4(a) for developed countries shall be reduced [with a view towards its elimination within an agreed period of time]. The <i>de minimis</i> provisions to be retained for developing countries. (iv) Reduce both product-specific and non-product-specific <i>de minimis</i> of developed countries to 2.5 per cent at the beginning of the implementation period, subject to eventual elimination of this provision within a period of no longer than three years. (v) Article 6.4(a)(i) and (ii) should be suspended until such time as the domestic support levels of all Members come down to the <i>de minimis</i> level. (vi) Exclude export-enhancing domestic support measures from applying <i>de minimis</i> provisions.
<p>Other disciplines</p>		<ul style="list-style-type: none"> (i) Members shall engage in negotiations on further reform commitments beyond the basic modalities on a sector-specific basis, such as deeper tariff reductions, product-specific limits on trade-distorting domestic support, and other commitments to more effectively address the trade-distorting practices in the affected commodity sectors. (ii) In pursuing the reform of domestic support, Members need to consider the effects of reduction commitments on the value of trade preferences for small vulnerable countries.

Amber Box

Working Hypotheses		Variations/Additions
<p>S&D</p> <p><i>Base levels</i></p>		<p>(i) The base level for the staging of further commitments shall be the average actual support level for the years 1995-2000 or the bound level for the year 2000, whichever is lower. Developing country Members shall stage further reduction commitments from the final bound levels established as a result of the Uruguay Round.</p>
<p><i>Specificity of further commitments/ reduction method/target for further commitments/ implementation period/staging</i></p>	<p>(i) Least-developed country Members should not be required to make further commitments.</p> <p>(ii) Developing country Members should be provided flexibility in terms of longer implementation periods and lower reduction rates.</p> <p>(iii) ...</p>	<p>(i) Developing countries should be allowed to make further commitments on an aggregated basis.</p> <p>(ii) The final bound AMS commitment currently in Members' Schedules to be reduced to zero [on a product-specific disaggregated basis] over five years for developed countries and nine years for developing countries. [Developed countries to commit to] a reduction of 50 per cent in the first year of implementation to be followed by equal cuts over the following years to reach zero.</p> <p>(iii) Developing countries to be exempt from making a down-payment in the first year of implementation.</p> <p>(iv) The Total AMS shall be reduced on a product-specific basis to zero over a six-year period commencing in the year 2005, in equal annual instalments. Developed country Members shall commit to a 50 per cent down-payment of the total reduction target over the first year of the implementation period. Developing country Members shall have the flexibility to maintain commitments at the aggregate level inclusive of support under the <i>de minimis</i> level, to implement reduction commitments over a ten-year period commencing in the year 2008, and to apply lower reduction commitments provided that the reduction is no less than half of that specified for developed countries.</p> <p>(v) There should be only two categories of support: Green and Amber Boxes. All trade distorting domestic support should be substantially reduced on an aggregate and product specific basis. An initial substantial reduction of the Total AMS between 50-70 per cent should be made, followed by annual reductions. With respect to product-specific commitments, reductions should be at least 40-50 per cent of the average values of the last three years of the Uruguay Round implementation. Reductions should be implemented over six years for developing countries.</p> <p>(vi) Any new commitments for developing countries should be no more than half of the commitments of developed countries.</p>

Amber Box

	Working Hypotheses	Variations/Additions
<p><i>Specificity of further commitments/ reduction method/target for further commitments/ implementation period/staging (cont'd)</i></p>		<p>(vii) Lesser commitments shall apply to developing countries, economies in transition and recently acceded countries.</p> <p>(viii) [Greater reductions] [Substantial reduction of domestic support] to be made on products of export interest to [LDCs] [developing countries].</p> <p>(ix) LDCs should be allowed to increase their non-product-specific support by an equivalent amount when in the calculation of their AMS domestic support prices were found to be lower than the external reference price, showing negative product-specific support. Since many LDCs had negative product-specific AMS, such countries should be accorded due credit by way of excluding specific food security expenditures from AMS calculations.</p>
<p><i>De minimis provisions</i></p>		<p>(i) Retain the existing <i>de minimis</i> provisions in Article 6.4(b) for developing countries.</p> <p>(ii) Developing country Members shall have the flexibility to aggregate [domestic support within the <i>de minimis</i> level] [non-product-specific support with product-specific support below the <i>de minimis</i> level]</p> <p>(iii) As long as the reduction commitments on trade-distorting domestic support are based on the Aggregate Measurement of Support (AMS), developing countries should be allowed to aggregate the values of product-specific <i>de minimis</i> that may then be allocated to support selected products.</p> <p>(iv) The <i>de minimis</i> level for developing countries should be increased to 15 per cent.</p> <p>(v) The <i>de minimis</i> level shall be raised to {X} per cent for [low-income] developing countries [and transition countries].</p>
<p><i>Inflation adjustment</i></p>		<p>(i) Special consideration to be given to problems of excessive rates of inflation in developing countries, including a possibility of expressing commitments in agreed currencies or a basket of currencies.</p>

Other Domestic Support Issues

	Working Hypotheses	Variations/Additions
Peace Clause		<ul style="list-style-type: none"> (i) The provisions of Article 13(a) and (b) shall cease to apply as per Article 1(f) of the Agreement on Agriculture. (ii) The provisions of GATT 1994 and of other Multilateral Trade Agreements in Annex 1A to the WTO Agreement shall not apply to subsidies consistent with the provisions of the WTO Agreement on Agriculture and the commitments made as a result of the Reform Process of trade in agriculture.
S&D		<ul style="list-style-type: none"> (i) Any domestic support measure implemented by any developing country Member that fully conforms with the provisions of Article 6.2 and Annex 2 of the Agreement on Agriculture, as well as domestic support within the <i>de minimis</i> level shall be: <ul style="list-style-type: none"> (a) non-actionable subsidy for purposes of countervailing duties; (b) exempt from actions based on Article XVI of GATT 1994 and Part III of the Subsidies Agreement; and (c) exempt from actions based on non-violation nullification or impairment of the benefits of tariff concessions accruing to another Member under Article II of GATT 1994, in the sense of paragraph 1(b) of Article XXIII of GATT 1994. (ii) Support measures provided by developing countries within the <i>de minimis</i> level, the existing Annex 2, the framework of a revised Green Box, the existing Article 6.2 or within the framework of an expanded Article 6.2 aimed at food security, poverty alleviation, rural development, rural employment and diversification of agriculture shall be exempted from any action under Article XVI of GATT 1994, the Agreement on Subsidies and Countervailing Measures and be exempted from actions based on non-violation nullification or impairment, in the sense of paragraph 1 (b) of Article XXIII of GATT 1994. (iii) Members shall not challenge the measures provided under Article 6.2 of the Agreement on Agriculture by developing countries.