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RECENT NEGOTIATION TRENDS ON AGRICULTURE UNDER WTO

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RECENT NEGOTIATION TRENDS ON AGRICULTURE UNDER WTO:

Mntual Consensus during Transitory Phase?

Debashis Chakraborty

Introduction

The major success of the Uruguay Round Negotiations was to arrive at a consensus on including agriculture among the reduction commitments. In all seven GATT rounds held earlier, the discussion centered on tariff, anti-dumping and certain non-tariff Barriers (NTBs).[1] Various protectionist measures at force never caused agricultural trade to reach its full potential.[2] These protectionist policies, apart from causing huge distortion in the domestic market, affected the comparative advantage of developing countries severely.[3] Although the Uruguay Round witnessed an unprecedented level of participation,[4] and the membership has increased steadily since then, however, liberalization of market

[1] Interestingly, there exists a striking similarity in the approach of developed and developing countries towards agricultural support measure reform, where irrespective of their development status, they are willing to favour protectionism with the fear of losing out in the face of international competition. An important qualitative difference must be borne in mind, while developed countries generally support agriculture through high output prices; developing countries do the same through lower input prices.

[2] For a detailed analysis of economics behind the support measures, see "The Political Economy of Agricultural Protection," Anderson and Hayami (1986).

[3] "Government intervention... in the interests of food security, maintaining farm incomes, and preserving the farming population had become progressively costly and distortionary .. In 1990, for the Organization for Economic Cooperation and Development (OECD) countries alone, total transfers associated with support policies had peaked at US $ 300 billion. About 40 percent of this came from government budgets; the reminder was paid by consumers through higher domestic prices resulting from trade barriers, amounting to as high as 2 percent of the GDP (Kelly and McGruik 1992).", Gulati and Narayanan (2003), pp. 6.

[4] While there were 102 members in Tokyo Round (1973-79), the number increased to 123 in Uruguay Round, and currently stands at 147.

access in agriculture still remains unsatisfactory. The support measures in agriculture registered an increase even during Uruguay Round negotiation period through increased budget allocation of member countries and the present situation is equally disappointing.[5]

Most developing countries believed in 1986 that developed country interest towards liberalizing agriculture is nothing but a calculated move, which comes only after consolidating their position with various subsidization schemes for a long time. The developing country suspicion did not vanish even when in 1987 the US called for complete phase out of all trade distorting subsidies by next 10 years. India witnessed an internal debate during the eight-year negotiation period on the issue of joining WTO, the main point of concern being TRIPS and agriculture. Although the transitory phase of the WTO is coming to an end on 31st December 2004, the domestic policies of a number of member countries are still not in line with their commitments and the Cancun Ministerial (2003) failed to contribute much in this respect.[6] However the recent meeting of several WTO members in July 2004 has boosted the global hope for ending the stalemate.

Although the final text of the July 2004 negotiations discussed provisions for freeing trade in agriculture, industry and services, the current analysis intends to assess only the future of agricultural trade by looking into the recent trends in discussion and also attempts to formulate a suitable negotiation strategy to be followed by the developing countries like India. The paper is organized along the following lines. First, the WTO agreement on agriculture (henceforth AoA) is described briefly. Second, a cross-country perspective on the subsidization question, the major obstacle in liberalizing agricultural trade, is presented. Third, the current status of India's WTO compatibility on subsidies and potential threats faced by it are discussed. The ongoing multilateral negotiation process

[5] See Kelly and McGruik (1992). In addition, Borrell and Pearce (1999) have shown that Uruguay Round negotiations hardly contributed in liberalizing the international trade in sugar.

[6] As put by WTO Annual Report (2003), "The disciplines on trade distorting subsidies contained in the WTO Agreement on Agriculture (AA) have also capped support to this sector; nonetheless, support for agriculture remains high, particularly in many of the major industrialized countries, and continues to have a considerable impact on agricultural markets." pp. 20.

and the possible outcome are focused next. Finally, the findings are summarized with a policy prescription for India's negotiation strategy.

THE WTO COMMITMENTS

Under the WTO agreement on agriculture (1994), the member countries are committed not to violate four basic conditions. First, MFN treatment needs to be extended to other members, resulting improved market access. Second, levels of export and domestic subsidization need to be capped; the extent of which depend on development level of the particular country. Third, 'tariffication' of all quantitative restrictions and other NTBs and reduction in overall tariff protection for agricultural sector need to be carried out simultaneously. Finally, the sanitary and phytosanitary (SPS) conditions should not be used to restrict imports. The deadlines specified in the agreement for fulfilling various reduction commitments are shown in **Table 1**.

TABLE 1: Reduction commitments to be fulfilled by WTO members

(Percentage)

Nature of reduction commitment	Developed countries-6 years (1995-2000)	Developing countries-10 years (1995-2004)
Average reduction in tariff rate	36	24
Minimum tariff cut per product	15	10
Total AMS cut for domestic sector (base period 1986-88)	20	13
Value of export subsidy	36	24
Quantities of subsidized export	21	14

Source: WTO Text (1994)

Despite substantial liberalization in agricultural trade over the last ten years, several concern areas still remain. The tariff reduction has covered major developing country interest areas, and the average applied tariff rate has notably come down, but 'tariff escalation' and 'tariff peaks' still significantly curb market access.[7] Similarly, despite the headway in

[7] "As required by the Uruguay Round Agreement on Agriculture, all agricultural tariffs are bound, but in many cases these bindings are at very high rates and offer limited market access opportunities... Tariffs tend to increase with the level of processing.

much-needed harmonization of SPS measures across members, stringent and often over-protective norms used hy some of them still pose a major threat to developing country exports.[8] However, in spite of these two concern areas, the actual hurdle in freeing agricultural trade is the question of subsidization. Several WTO member countries protect their inefficient domestic sector through huge agricultural subsidies, both for domestic marketing as well as for export, causing a huge loss for the poor developing countries, hecause of the downward pull on prices. No development in agricultural negotiation is possible without addressing the subsidization question, since the proposed level of increase in market access through lowering of tariff and other quantitative restrictions, however large it might be, is meaningless otherwise.[9]

SUBSIDIZATION QUESTION: SETTING THE LIMIT

The level of subsidization in a country is generally measured through two indices, namely – Aggregate Measurement of Support (AMS) and Producer Support Estimate (PSE). The AMS could be calculated separately both for product specific and non-product specific categories. The product specific AMS is calculated for each basic agricultural product receiving market price support, non-exempt direct payments, or any other subsidy that is not exempted from the reduction commitment under the AoA. On the other hand, the non-product specific AMS has to be calculated using non-exempt direct payments that are not based on price differential and is generally estimated using budgetary expenditures.[10] The members need to keep their domestic support within the bound rate specified in the members' schedule. On the other hand, PSE represents an indicator of the annual monetary value of gross transfers from consumers and taxpayers to support agricultural producers at farm-gate level, arising from policy measures, regardless of their natures, objectives or impacts on farm production or income.[11] The percentage PSEs cited for four countries in **Diagram 1** is ratio of the PSE to the value of total gross farm receipts as measured by the value of total production at farm-gate prices, inclusive of budgetary support. Although PSE index is highest in Japan, the level of subsidization in EU creates much wider distortion due to its larger domestic market size and greater presence in global export of agricultural products.[12]

There are signs of escalation in most countries tariff Structures." WTO Special Study (2001), pp. 3. WTO Annual Report (2003) notes, "Even in industrialized countries, where average tariff protection is low, tariff 'peaks' exist in certain sectors, notably agricultural products, textiles, clothing and footwear. These peaks constitute prima facie evidence that the domestic dead-weight and net welfare losses caused by tariff protection as well as the costs to consumers could be high. The losses and costs to consumers are also likely to be high in developing countries, where overall tariff protection tends to be relatively high." pp. 11. In addition, for details see Mehta and Mohanty (1999) and Singh (2000).

[8] The protective SPS measures of the EU and US, as obtained from, "National Trade Estimates", hy United States Trade Representative and "Report on United States harriers to Trade and Investment" by European Commission, are representative of the current scenario. For detailed analysis see ESCAP (1999), Otsuki et al (2000) and Maskus and Wilson (2001). The potential threat to India has been outlined in Bhattacharya (1999), Chaturvedi and Nagpal (2002), Mehta et al (2002), and Mohanty and Manoharan (2002).

[9] Jank et al (2003) note, "Indeed, more than 95% of domestic support measures and export suhsidies are concentrated in the US, EU and "like-minded" protectionist countries." pp. 33. The "like-minded" countries consist of Japan, Korea, Czech Republic, Hungary, Iceland, Norway, Poland and Switzerland.

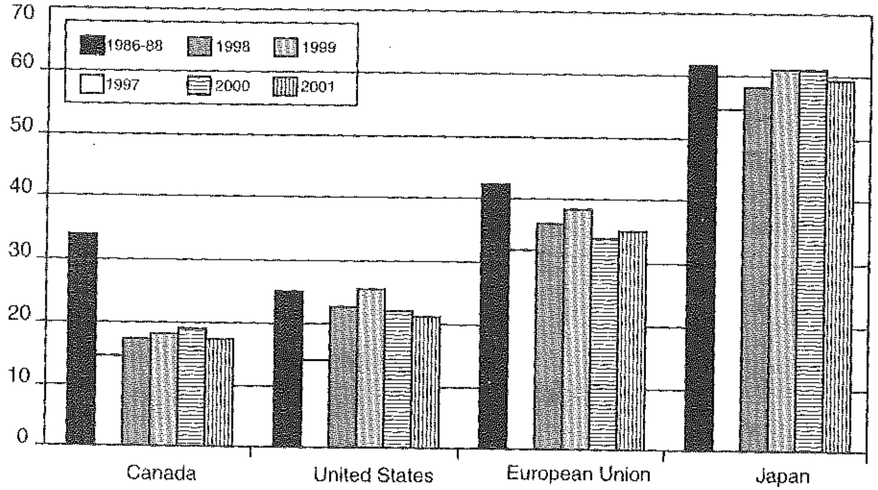
[10] However, all domestic support measures are not included in calculation of AMS. Most of the AMS components fall in the amber box measures and therefore constitutes only around 40 percent of total support to agriculture. Gulati and Narayanan (2003).

[11] The measure has replaced the earlier 'PSE', index i.e., Producer Subsidy Equivalent, also devised by OECD. PSE is much more robust measure of farm support as compared to AMS technique. For details, see Gulati and Narayanan (2003), pp. 13-15.

[12] The joint share of EU and US in world exports accounts for more than 20 percent as seen from International Trade Statistics (2002). However, Canada has now become an active member of CAIRNS group, the coalition of major agricultural exporters, and more serious on liberalization of agricultural trade than it was before. But certain areas like dairy sectors in Canada are still heavily subsidized.

DIAGRAM 1: Trends in Producer Support Estimates (1986-2001)

(Percent)



Source: WTO Annual Report (2003)

WTO Annual Report (2003) notes that agricultural support is higher in a number of OECD countries, located mostly in Europe and North America, although Japan and Korea are not far behind. In US, the Distortions caused by subsidies in sectors like sugar, as mentioned by Groombridge (2001)[13] and Borrell and Pearce (1999)[14] is worth mentioning. Apart from domestic support measures, export subsidies to

[13] "Nowhere is there a larger gap between the U.S. government's free-trade rhetoric and its protectionist practices than in the sugar program. Through preferential loan agreements and tariff-rate quotas, the U.S. government thwarts price competition to maintain an artificially high domestic price for sugar—a price that can be twice the world market price or higher... The U.S. sugar program is a classic case of concentrated benefits and dispersed costs: a very small number of sugar growers receive enormous benefits, while the costs of providing those benefits are spread across the U.S. economy, specifically to consumers and confectioners." pp. 1.

[14] " (sugar) Producers in the United States, Mexico, Indonesia and Eastern Europe are also heavily dependent on subsidies.", pp. 6.

the domestic producers in US is equally trade distorting and in 1997, WTO ruled the (DS108-Complaint by EU) special tax break scheme offered to US MNCs, better known as Foreign Sales Corporation Tax Exemption (FSC) to be WTO-incompatible. The FSC tax break is worth about $3bn a year to US companies (includes all types of exports).[15]

The success of EU Common Agricultural Policy (CAP), aiming to protect the domestic farmers, could be appreciated from the fact that its PSE level increased to 49% in 1999 from 45% in 1998 and 38% in 1997.[16] Through a policy mix of import restriction and domestic subsidization, EU turned into a net exporter of sugar and dairy products from a net importing situation. In order to restrict cheap imports of these commodities from the developing countries, EU maintained a close watch over their prices, so that no product could reach EU at a price lower than the prevailing one.[17] This huge volume of subsidy often created problems relating to overproduction resulting substantial welfare loss for the consumers.[18] In the early nineties, overproduction reached a peak and EU was seriously considering destruction of 20 million metric tones of beef, butters and grains, as the storage cost was extremely high with no possibility of shortfall in supply in coming

[15] The panel found that the United States had acted inconsistently with its obligations under Article 3.1(a) of the Subsidies Agreement as well as with its obligations under Article 3.3 of the Agreement on Agriculture. Although the appellate body reversed certain provisions of the panel ruling, it concluded that the United States acted inconsistently with its obligations under Articles 10.1 and 8 of AOA by "applying export subsidies, through the FSC measure, in a manner which results in, or threatens to lead to, circumvention of its export subsidy commitments with respect to agricultural products.", WTO Case Updates, WT/DS/OV/16, dated 17 October 2003. US although reacted angrily to the ruling by claiming the policy to be WTO-compatible, promised to abide by the findings.

[16] Consequently, the CSE has declined to –33% in 1998 from –25% in 1997, and further down to –36% in 1999. WTO Trade Policy Report, European Union (2000), Table IV.6, pp. 98. In particular, the subsidy level to livestock and meat products is another area of concern.

[17] The import levies were reviewed every two weeks. Sharma (1995).

[18] Farm subsidies account for around 50 percent of the EU's annual budget. European Union spends the equivalent of $53.5 billion a year on the CAP. In contrast, the U.S. government limits such spending to $19.1 billion a year under WTO agreements.

years.[19] However, domestic marketing of these products was not considered, as that could have lowered prices, a proposition completely unacceptable to farmers. The scenario in foodgrain sector in Japan is in no way different.[20] **Table 2** shows that PSE for three principal crops has not appreciably been reduced since the initiation of Uruguay Round in EU and US; and on the contrary has shown an increasing trend on several occasions.

Table 2: Producer Support Estimate in EU and US for selected commodities

(USD mn)

Commodities	1986-88	2000-2002	1999	2000	2001	2002p
Wheat						
European Union	8,673	8,982	11,424	9,170	8,278	9,498
United States	4,801	3,993	5,725	5,388	3,980	2,611
Sugar						
European Union	3,179	2,172	3,500	2,409	1,798	2,308
United States	1,153	1,223	1,529	1,204	1,287	1,176
Rice						
European Union	440	247	157	125	313	303
United States	868	924	782	886	995	891
Source: OECD, PSE/CSE database 2003.						

p-provisional

Quoted from Naik and Singh (2003)

[19] Critics have pointed out more than once that CAP promotes overproduction of grains, beet sugar and other products, which are then exported to Third World markets. Gulati and Narayanan (2003) have mentioned a one-to-one correspondence between commodities with high PSE and high export subsidy (pp. 31). The WTO Special Study (2001) notes, ".. the potential impact of export subsidies on agricultural markets is still significant. Also, between 1995 and 1998, the average use of export subsidy commitments has increased for 10 of the 25 countries with reduction commitments, while it declined only for 5 of them." pp. 4.

[20] "The support received by farmers in Japan and the costs to consumers of agricultural products remain above the OECD average and have increased since 1997." WTO Trade Policy Report, Japan (2000), pp. 86. The report acknowledged an increase of 14% in PSE during 1997 and 1999, indicating an increase in support to agriculture. However, the value of AMS decreased by 4.8% over 1996-97.

Table 3 shows the PSE level for a number of OECD countries during 2000-02 for four commodities, namely, wheat, maize, refined sugars and milk, which are significantly high for the EU, Japan and the US, and testifies the distortions caused by them.

TABLE 3 : PSE in percentage for select commodities (2000-02)

Commodity	Australia	Canada	EU	Japan	Mexico	New Zealand	US
Wheat	5	16	46	86	31	0	40
Maize	NA	16	35	NA	36	0	26
Refined Sugars	12	NA	48	42	52	NA	55
Milk	14	54	44	77	43	1	48

Source: IFATPC (2004)

THE INDIAN PERSPECTIVE

Although India surprisingly has not been very keen on including agriculture in first seven GATT rounds, and stalled liberalization measures like withdrawal of quantitative restrictions on certain primary products on BOP ground for a long period for protecting domestic sector; it historically always provided a negative support (i.e., taxed) to agriculture. Finally in 1999, India's practice of protecting agriculture has been ruled WTO-incompatible at the DSB.[21] However, India did not address the subsidization concern effectively before Doha Ministerial. As seen from **Table 4**, historically, overall support to agriculture in India bas been negative, although non-product specific support is positive. It seems that India became more concerned over the subsidization issue when it felt the non-realization of the promised market access in developed countries, owing to the distortions caused. The loss became only too prominent by the stocktaking exercise of gains from WTO over the past three years. [22]

[21] For details see WTO disputes DS90 (involving US), DS91 (involving Australia), DS92 (involving Canada), DS93 (involving New Zealand), DS94 (involving Switzerland) and DS96 (involving EU). India lost the case against US, while others were amicably settled.

[22] Agricultural products accounts for around 14 percent of India's export basket in value terms and most of them are fairly price competitive. For detailed analysis of India's prospects in case of removal of all support measures in case of some important commodities, see Naik and Singh (2003).

TABLE 4: AMS for selected commodities with fixed reference prices[23]

Year	Product specific AMS	Non-Product specific AMS	Total AMS
(as percent of the value of production of commodities covered)			
1987	-33.23	4.22	-29.02
1988	-24.73	5.19	-19.54
1989	-29.79	5.02	-24.77
1990	-32.83	6.19	-26.64
1991	-27.60	5.87	-21.73
1992	-57.50	7.52	-49.99
1993	-46.60	6.82	-39.77
1994	-51.06	5.67	-45.39
1995	-38.58	6.81	-31.77
1996	-39.32	7.89	-31.43
1997	-40.68	7.49	-33.19
1998	-33.18	6.86	-26.32
1999	-39.75	6.00	-33.76
2000	-32.78	7.16	-25.62

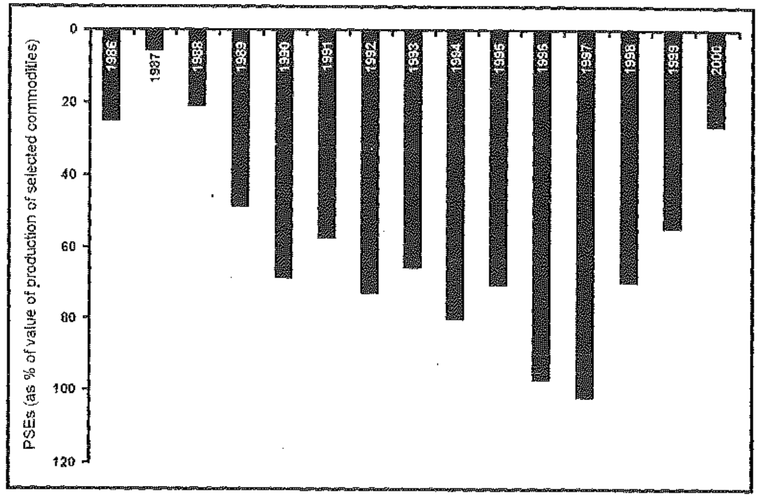
Source: Gulati and Narayanan (2003)

Apart from AMS figures, the overall level of PSEs of Indian agriculture is shown in **Diagram 2**, and it could be seen that throughout the Uruguay Round negotiation period it received a negative support, reaching a trough in 1996-97. Gulati and Narayanan (2003) noted that the fluctuation in PSE has not been caused by government action, but other factors like devaluation (1991), movement in world prices etc. were responsible for it.[24] Given this scenario, it is only too natural to note that India stands to gain only if domestic subsidy level in the developed countries like EU, Japan and US is lowered, i.e., when the

[23] "Selected commodities include rice, wheat, maize, sorghum, bajra, barley, arhar, gram, soyabean, rapeseed and mustard, groundnut, sunflower, cotton, jute and sugar, which comprise roughly 46 per cent of the value of output of the Indian agricultural sector." Gulati and Narayanan, pp. 18.

[24] For instance, world price slumped in 1987, causing an increase in PSE in India where agriculture is discriminated (implicitly taxed) in terms of low price. On the other hand, high world cereal price during 1995-97 caused a sharp reduction in PSE.

DIAGRAM 2: PSE Level in India



Source: Gulati and Narayanan (2003)

unfair price advantage obtained by farmers located in these countries is withdrawn.

In Doha (2001), India refused to participate in launching of a new round before realization of the level of market access promised in agriculture under Uruguay Round.[25] However, India was mostly alone in her pursuit barring a few partners like Pakistan. The ministerial

[25] While inaugurating the International Conference on "Concerns of Developing Nations in the WTO regime" organized by The Institute of Chartered Accountants of India in collaboration with United Nations Conference on Trade and Commerce, and Ministry of Commerce, in New Delhi on August 20, 2001, the Prime Minister, Shri Atal Bihari Vajpayee said, "Six years of the existence of the WTO have not reduced the relevance of this principle in the least. On the contrary, the still unmet promises and unfulfilled obligations of the developed nations made in the Uruguay Round have cast the legitimate concerns of the developing nations into a sharper focus in the run-up to the Doha Ministerial Conference. This is, indeed, the rationale for India's insistence that the incomplete agenda of the Uruguay Round should be first completed, before starting any new round of trade negotiations. India's position is shared by many developing nations, and also by many people in the developed nations." India and the WTO, August 2001, pp. 11. However, Singh (2001) has shown that India was mostly alone in this pursuit.

declaration, better known as Doha Development Agenda, assigned utmost importance on freeing agricultural trade. India broadly focused on four issues in this regard, all of which were responded in the DDA:

1. Responding to concerns related to Food Security
2. Ensuring Market Access
3. Removal of Distortions from Export Competition
4. Removal of Domestic Subsidies

From a developing country perspective, India believes that the question of food security should be given maximum attention. In addition, for trade promotion in agriculture, the major export base for the developing countries, the distortions in the market through export and domestic subsidies should be eliminated. Moreover, the developing countries should receive the promised level of market access from their developed counterparts. The detailed Indian proposals on these four issues are presented in **Annex 1**.

The potential threat to India and developing countries is that they not only stand to lose in the export market of third countries, or in the EU or US market; but their farmers are threatened at their own soil as well, owing to the unfair price advantage possessed by the EU/US producers. The extent of the loss is growing day by day, as against the fact that developed countries were supposed to put a cap on their subsidization policy by 2000. Naik and Singh (2003) conducted a detailed price analysis for a number of major commodities and reported heavy loss of Indian exports due to the distortions in the world market, and worse, sometimes in the domestic markets as well.[26] US Department of Agriculture in 2001 estimated that full elimination of distorting policies in global agricultural trade would result an annual world welfare gain of US$56 billion.

[26] " In fact in some cases, such as cotton in India, the efficient producers are unable to compete in their own domestic market. Cotton imports in India have increased substantially due to the availability of cheap US cotton, as a consequence of the subsidies provided by the US to their farmers.", pp. 60. They also feared that the recent (2001-02) downfall in US export of wheat might not benefit the developing countries, as increasing allocations in Farm Bill, the instrument to assist the farmers in US, would help the producers to compete in the international market.

THE NEGOTIATION TRENDS IN AGRICULTURE

From 1995 onwards, five WTO ministerial meetings have taken place, and the major proceedings of them are summarized in **Table 5**. The agricultural negotiations since 1995 could be sub-divided in four distinct phases, which has been reflected in the ministerial meetings. The first six years, 1995-2000, was the transitory phase. The second phase was initiated in March 2000 and concluded in March 2001, when more than hundred members submitted proposals outlining their future commitments, paving a starting position for negotiations. The third phase began in March 2001 with a stocktaking meeting and continued for a year. Therefore as seen from the table, from 1996-2000, agriculture was not directly discussed in the ministerial meetings. The concern came to forefront in Doha, where with the focus on liberalization of agricultural trade, WTO-incompatibility of EU policies came under fire. The fourth phase of the negotiation was initiated in March 2002 with the Doha Declaration as a reference. The modalities included - setting out scope of the negotiations, the methodology to be followed during actual process; and the discussion was to be concluded over a 12-month period, ending on March 2003.[27] Based on these modalities, members were supposed to submit comprehensive draft schedules, by June 2003, which were to be discussed at Cancun (2003) and other WTO forums.[28] However, the failure at Cancun put serious questions on the working of the Doha Ministerial Agenda and the probability of success in future discussions.[29]

[27] While the problems of market access or subsidy issues were addressed during the negotiations, various non-trade concerns including food security, environment, structural adjustment, rural development, poverty alleviation, etc. were also discussed. Naik and Singh (2003), pp. 7.

[28] The WTO Committee on Agriculture earlier faced a March 2003 deadline for agreeing on modalities for the negotiations to conclude by 2005. "At the November 2001 Doha Ministerial Conference, the agriculture negotiations became part of the single undertaking in which virtually all the linked negotiations are to end by 1 January 2005." The current negotiations, http://www.wto.org/english/tratop_e/agric_e/negoti_e.htm. However, given the current scenario, this seems highly unlikely.

[29] Naik and Singh (2003) notes, "The supports provided in the developed countries have depressed prices, reduced returns, increased risk and reduced incentive to invest and adopt new technology in the developing countries. Continuation of this situation would result in low productivity, further reduction in returns and possibly exit of farmers from the only occupation they are dependent on for their livelihoods.", pp. 60.

TABLE 5: WTO Ministerial Declarations on Agriculture

No	Ministerial Meeting	Year	Future Agenda/Achievement in Ministerial Declaration
1	Singapore	1996	• Noted that certain progress has been made in agricultural reform, namely in implementation of agreed market access concessions and domestic subsidy and export subsidy commitments.
2	Geneva	1998	• Although no explicit mention of agricultural sector was made, the need for improving "market access conditions for products exported by the least-developed countries on as broad and liberal a basis as possible" was reiterated. In addition, the Members were urged to enforce the market-access commitments already undertaken.
3	Seattle	1999	• No Ministerial Declaration was issued due to difference among members. However, the WTO documents acknowledged developing country concerns over lack of proposed reform and expected reductions in tariffs, domestic support and export subsidies to catch the center stage in future negotiations.
4	Doha	2001	The ministerial declaration broadly carried four points : • Ensuring "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". • Provisions of "special and differential treatment for developing countries to be an integral part of all elements of the negotiations and be embodied in the Schedules of concessions and commitments". • Consideration of non-trade concerns in the negotiations. • Establishing "modalities for the further commitments, including provisions for special and differential treatment by 31 March 2003".
5	Cancun	2003	• The Ministerial witnessed stormy debate among the members over agricultural subsidisation. To draft proposals were presented during the meeting, where intensification of "work to translate the Doha objectives into reform modalities" was suggested. Ultimately no formal declaration was issued at the end due to difference among members. The concluding Ministerial statement 'reaffirmed' support towards Doha Declarations and Decisions and 'recommited' to implement them 'fully and faithfully'.

Source: Chakraborty and Singh (2004b)

THE ROAD FROM DOHA TO CANCUN

Since Doha Declaration, the EU subsidization policy, subjected to criticism for a long time[30], witnessed increasing pressure from global community to bring it in line with its WTO commitments. Although US was another major violator of WTO commitments, clearly the distortions were higher in EU. The EU in late 2002 offered tariff cuts on agricultural products by 36% as part of WTO negotiation, when Agriculture Commissioner Franz Fischler assured that these reductions were already incorporated in adjustments made to the CAP along with offering duty-free, quota-free access for primary exports from developing countries.[31] However, the proposal failed to gather support from any quarter, and was described as inadequate. Critics pointed out that although certain reduction provisions were promised in export subsidies for wheat, oilseeds, olive oil and tobacco; no commitments were made for diary products and sugar industries. Quite reasonably the US also expressed that the offer failed to match the expectation.[32]

Based on the proposals made by member countries between March and December 2002, a draft on the modalities of agricultural negotiations was prepared by Stuart Harbinson, the Chairperson of Agricultural Negotiations on 18 December 2002. The draft, known as Harbinson Draft, was reviewed at a negotiations session of the Agriculture Committee on 22–24 January 2003, and was circulated to member governments on 12 February 2003, ahead of the negotiations meetings scheduled during 24–28 February. The final version was circulated in March 18, 2003. The draft intended to look for compromises that are necessary to reach a final agreement during the transitory phase, and

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[30] EU practically stalled agricultural subsidy reform, as it bought time at each occasion to bring its domestic regulations in line with the WTO obligations. This in turn made any further progress in agricultural negotiation impossible.

[31] However, the move is not an open-ended one. "The cuts in subsidies and tariff are conditional on similar cuts from other developed countries, particularly the US. The US, Canada, Japan, Australia and the 15 EU members would also cut export subsidies by 45% and domestic subsidies as part of the deal.", http://news.bbc.co.uk, 16 December, 2002

[32] In March 2003 EU was widely criticized by US on account of inaction in offering a suitable proposal for elimination of agricultural export subsidies. US considered the EU attitude to be disappointing owing to the absence of any commitment in reduction of export subsidies — no timelines, no reductions, nothing that helps to clarify the issue.

glimpses of it are presented in **Annex 3**. The concern for minimizing differences across members was quite apt, since various proposals on agricultural trade reform by the major countries and trading blocs like African countries, CAIRNS group, EU, US varied to a great extent, as shown by Naik and Singh (2003), quoted in **Annex 2**.

In June 2003, EU came out with a new scheme with the announcement of Farm Commissioner Franz Fischler that the ongoing farm support policy would be dramatically revised, proposing to base subsidy levels on farm existence rather than production; de-linking hulk of direct payments with production.[33] The scheme promoted the chance of members arriving at a mutual consensus in the due Cancun Ministerial, although the proposal did not necessarily reduce subsidy spending as a whole.[34] Some EU members stressed their sincerity in decoupling payments from production so as to devote more funds for environmental and rural purposes. Major global players cautiously praised this de-coupling proposal, while countries like Australia were openly skeptical over this announcement.[35]

The effectiveness of the proposed 'reformed CAP' policy shortly faced serious questions, as in early July the French Government refused to consider reductions in subsidies to its farmers. The French President

[33] In short, the new proposal involved merging of most of the old premiums paid under the CAP into a 'single farm payment' independent from production and linked to compliance with environmental, food safety and animal welfare standards. The single farm payment was supposed to enter into force in 2005, although member states were allowed to apply for a transitional period until 2007. However Naik and Singh (2003) pointed out that "...the changes will allow most subsidies to be shifted to the 'green box' under the Agreement of Agriculture, hence considered to be non-trade distorting or minimally trade-distorting.", pp. 59.

[34] Pascal Lamy commented that the negotiation would be successfully completed only if United States and other trading partners were willing to put their own farm programs on the negotiating table, "referring to the legislation signed last year that boosted U.S. crop and dairy subsidy payments by $57.1 billion US from the previous farm bill." www.producer.com, July 8, 2003.

[35] In Canberra, Australian Minister for Agriculture, Fisheries and Forestry Mr. Warren Truss said, "After weeks of debate and with a mountain of evidence that the CAP needs to change, EU ministers have adopted what can best be called a marginal and mediocre change. Unfortunately, self-interest has again ruled the day and the addiction to subsidies prevails.", http://www.affa.gov.au/ministers/truss/releases/03/03179wt.html, 27 June 2003.

Jacques Chirac announced that the subsidy reform proposal of EU was unacceptable, although he assured that France would actively participate in the reform process![36] A compromised policy was put forward, which, however, failed to satisfy most of the key players. Initiation of a new discussion within EU clearly meant delaying of the new plan, especially disappointing the LDCs. US trade representative Robert Zoellick pointed out in a press conference that the success of Cancun ministerial was dependent on EU's ability to reform CAP successfully.[37]

However, everybody was greatly surprised just a month ahead of Cancun, when EU and US (the major critic of EU even a couple of days back) jointly came up with a proposal to 'liberalise' agricultural trade.[38] The joint proposal although seemingly discussed the possibility of freeing agricultural trade from subsidies, actually made no definite promise to lower the same in their own territory. In contrast, they actually bypassed the issue of agricultural reform in Cancun Ministerial, focusing on non-agricultural tariff related issues. Several developing countries, led by Brazil, India and China, promptly came out with an alternate plan, known as G-20 proposal.[39] The proposal was directed at Cancun WTO negotiations, demanding immediate action to end export dumping and production subsidies and improvement of market access.

At Cancun, the dissatisfaction reached its peak, as a result of which no clear consensus could be arrived at even before the last day of the

[36] http://deltafarmpress.com/ar/farming_eu_subsidy_reform_2/, Jun 27, 2003. As of now Sweden, U.K., Denmark, Netherlands and Germany are in favor of the reforms while France, Spain and Ireland are maintaining a stance polar opposite.

[37] "You probably know our proposal was called a Swiss 25, which means no tariff in agriculture would be higher than 25 percent and it would take our average tariff down from 12 to 5 percent.. So for developing countries that would like us to cut subsidies there are really two elements for us: one is we've got to bring European and Japanese levels down. The European cap on what's called the amber box domestic subsidies that distort production is, depending on exchange rates, about $65 billion, and ours is $19.1 billion so we've got to bring that down and harmonize it."

[38] The attitude of US is hardly surprising as pointed out by Groombridge (2001) and others from time to time.

[39] The other members of the group are Argentina, Bolivia, Chile, Colombia, Costa Rica, Guatemala, Mexico, Paraguay, Peru, Thailand and South Africa. The detailed proposal has been outlined in the August 2003 issue of WTO Newsletter of Ministry of Commerce, Government of India.

ministerial conference. During the ministerial meeting, EU and US came out with a draft declaration, again with little promise on liberalization, only to be rejected by the developing countries. India expressed its disappointment over the fact that while these two developed countries kept on harping their eagerness to discuss market access issues, the question of subsidization was always bypassed. Without addressing the question of subsidization, the distortions already present could not be removed, and negotiating on market access is meaningless.

DERBEZ DRAFT

Finally the Cancun ministerial came out with a Revised Ministerial Draft issued by the Mexican Foreign Secretary and the Cancun Conference Chair Mr. Luis Ernesto Derbez on 13 September 2003, popularly known as the "Derbez Draft" *(JOB (03)/156/Rev. 2)*. The Annex A of the draft deals with issues pertaining to future reforms in agriculture. However, the Derbez Draft, intending to please all quarters, ended up by generating disapproval from everybody. While developing countries felt that Derbez Draft is another representation of the EU-US draft, and pressed on taking the G-20 Draft to be the basis of negotiation instead, the EU and US disapproved the Draft's provisions on domestic support. In **Annex 3**, the comparative analysis of various propositions made during 2003 has heen provided. The apathy of almost all quarters to accept Derbez draft as a basis of negotiation had put a big question mark on the future of agricultural negotiation for almost ten months, as nobody was willing to compromise their interest areas.

The derbez draft was received with extensive criticism from various quarters. The International Food and Agricultural Trade Policy Council (2004) pointed out that there exists ample scope to improve the draft for securing the interest of the negotiating partners.[40] India very strongly refused to accept the Derbez Draft on the basis of three concerns. First, it felt that the draft does not consider the developing country perspective on domestic support. Second, while in Doha it was decided that the negotiations on modalities for the Singapore issues would commence

[40] The report actually identified twenty-five channels to improve the draft, by arguing, ".. if the Derbez text is to be the basis for further negotiations it must be improved considerably to make sure that reforms are real and meaningful for hoth developed and developing countries." pp. 1.

only after explicit consensus is reached at the next Ministerial Conference, the Derbez Draft on its own decided to initiate negotiations on these issues. Finally, the subsidization scenario in cotton in developed countries was a much-discussed concern area. However, the Derbez draft instructed, "the Chairman of the Trade Negotiations Committee to consult with the Chairpersons of the Negotiating Groups on Agriculture, Non-Agricultural Market Access and Rules to address the impact of the distortions that exist in the trade of cotton, man-made fibres, textiles and clothing to ensure comprehensive consideration of the entirety of the sector. The Director-General is instructed to consult with the relevant international organizations including the Bretton Woods Institutions, the Food and Agriculture Organization and the International Trade Centre to effectively direct existing programmes and resources toward diversification of the economies where cotton accounts for the major share of their GDP."[41] In short, the draft hopelessly bypassed the actual issue, and shifted the responsibility on other bodies, while they should have instructed the developed countries to reduce their subsidy in the first place. Owing to these dissatisfying features of the draft, India, along with other developing countries, turned it down. The views expressed by the commerce minister shortly after the ministerial are presented in **Box 1**.

[41] Paragraph 27 of Derbez Draft, pp. 8.

BOX 1: Commerce Minister's Speech on Derbez Draft[42]

".. The 13th September draft completely failed to gauge and accommodate the mood of the participating countries. In fact, on several issues it ran contrary to that mood... Domestic support subsidies of various categories also distort trade and they hugely distort trade. The 13th September draft only had marginal references about reduction of these subsidies. And when it came to developing countries reducing tariff, the 13th September draft, effectively involved higher reduction of tariffs by the developing countries as against the developed countries... We made various calculations on the formulation on the 13th September draft. I can tell you from India's point of view that it was scary due to the kind of reductions we would have had to face, in the face of no substantial reduction in subsidies... in relation to the Singapore issues, the 13th September draft was even more curious.... On cotton again, four African countries are predominantly a one-crop nation whose economies have been very badly, adversely affected on account of huge cotton subsidies to 25,000 farmers in one country – they receive a subsidy of $3.7 billion annually. The amount of $3.7 billion annually is the subsidy which is shared amongst 25,000 farmers. The effect of that is to distort cotton prices which effects the economies of Mali, Burkina Faso, Benin and Chad. So, para 27 of the 13th September draft again spoke in terms of a study to be undertaken and almost the feel of para 27 was that some of the countries should be aided and advised, and then persuaded for crop diversification, because subsidies in any case cannot be reduced.... It is obviously clear to me that this draft cannot be a starting point of any further negotiation. Secondly, it is also seen that the consensus element has become negligible..."

[42] Text of keynote address by Mr. Arun Jaitley at FICCI-UNCTAD joint Seminar on "Reflections on post-Cancun Agenda: The way ahead" - 22 October 2003, New Delhi), India and the WTO Newsletter (October-November 2003).

THE JULY 2004 DISCUSSION

In July 2004, the deadlock in the negotiation process was finally broken as five countries, namely – Australia, Brazil, EU, India and US, came forward to discuss various issues. The discussion lasted for two weeks, and the final session lasted nearly for 24 hours. The initial drafts failed to include India's concerns adequately and the commerce minister Mr. Kamal Nath strongly responded to the EU-US proposal of lowering the domestic subsidy limit for developing countries. He also stressed the need for setting disciplines on blue and amber boxes for the developed countries and advocated strongly for inclusion of special safeguard mechanisms and special products provisions for developing countries. Much to the satisfaction of the international community, the negotiating countries finally came out with a draft announcement (henceforth July 2004 Draft), which might form the framework of future negotiations. The Annex A of the Draft text deals with agricultural provisions, which includes outlines for formulas for reducing import barriers, export subsidies and domestic support, which would then he turned into complete formulas in the "modalities".[43] The new draft is much comprehensive as compared to the Derbez Draft in addressing the developing country concerns, in terms of all three pillars of agricultural trade – market access, domestic support and export subsidy. In addition, the developing country sectoral concerns like that of cotton have been acknowledged. The parties agreed to resume negotiation on various aspects of freeing agricultural trade. Time-bound reduction of export and domestic subsidies has been a major feature of the draft. Mr. Kamal Nath told the media persons that the earlier draft failed to take a number of major concerns of India into account.[44] Therefore, it is expected that India will try to extract the maximum possible benefit from the coming negotiation meetings. Brazil also cautiously responded that the draft needs more revision.

CONSENSUS DURING TRANSITORY PHASE?

Given the supremacy of the July 2004 Draft over its predecessor

[43] The text is available at -
http://www.wto.org/english/tratop_e/dda_e/draft_text_gc_dg_31july04_e.htm.

[44] "India Rejects WTO Draft", The Hindustan Times, July 31, 2004

Derbez Draft, and the relatively warm welcome received by it from developing as well as developed countries, there is a general wave of hope that some agreement could be arrived at during the transitory phase itself. In order to assess the feasibility of this expectation, let us first focus on the broad issues, which are going to benefit the developing countries. Then we look at the issues, which could trigger a difference across nations, destabilizing the negotiation process once again.

- First, for a long time the developing countries have stressed the importance of cotton and textile products for their development, and were asking for increased market access in developed countries. However, the realized market access has always remained inadequate, and partly nullified by various policy measures. For the first time, an explicit focus has been given to cotton. The framework agreement notes, ".. (the importance of cotton) will be addressed ambitiously, expeditiously, and specifically, within the agriculture negotiations... The Special Session of the Committee on Agriculture shall ensure **appropriate prioritization** of the cotton issue independently from other sectoral initiatives... Work shall encompass **all trade-distorting policies affecting the sector in all three pillars of market access, domestic support, and export competition**, as specified in the Doha text and this Framework text (Paragraph 4)." In short, the statement marks a major advancement over the Derbez Draft, where the subsidization problem in developed countries was bypassed and no promise of reform within the WTO framework was made.

- Second, the reduction commitments promised in the draft are much more comprehensive as compared to the Derbez Draft. In case of domestic support, the reduction in final bound total AMS has to be done using a tiered formula, where ".. Members having higher levels of trade-distorting domestic support will make greater overall reductions in order to achieve a harmonizing result.[45] As the first installment of the overall cut, in the first year and throughout the implementation period, the sum of all trade-distorting support **will not exceed 80 per cent** of the sum of Final Bound Total AMS plus permitted *de minimis* plus the Blue Box at the level determined in paragraph 15 (Paragraph 7)." In other words, the draft calls for 20 per cent cut in the current level of domestic subsidies in the first year itself. Moreover, responding to the growing concern on the potential misuse of the *de minimis* provisions, the draft agreed that the reductions in it, ".. will be negotiated taking into account the principle of special and differential treatment. **Developing countries that allocate almost all *de minimis* support for subsistence and resource-poor farmers will be exempt** (Paragraph 11)."

- Third, trade-distortions caused by Blue Box support measures have always been a major source of contention in agricultural negotiations, where developing countries are suffering badly. The provisions relating to blue box measures have been discussed and putting a cap on their use has been decided, "**Blue Box support will not exceed 5% of a Member's average total value of agricultural production** during an historical period. The **ceiling will apply to any actual or potential Blue Box user** (Paragraph 15)." This effectively takes care of any future upsurge in trade-distorting measures. In addition, it has been observed that blue box reform in a number of member countries often involve only a mere reshuffling of those subsidies into green box, in an attempt to gain legitimacy.[46] Progressive reduction has been promised in the countries with initial volume of subsidies higher than this ceiling. The draft has also promised **review of green box criteria** in order to ensure minimum trade-distortion apart from looking into "improved obligations for **monitoring and surveillance** of all new disciplines foreshadowed in paragraph 48 (Paragraph 16)."

- Fourth, agreement has been reached on various forms of trade-distorting export subsidies those need to be eliminated. Members would act on this as per the agreed framework. In particular, the scope of limiting export credit and guarantee schemes in EU and US, especially with payment schedules beyond 180 days, is enormous and would benefit the developing countries significantly. Furthermore, special and differential treatment has been granted in form of longer implementation period for phasing out of all export subsidies, and for fulfilling national development goals, "STEs in **developing**

[45] The draft responds to the developing country need of 'progressive' liberalization.

[46] Naik and Singh (2003) note that the developed countries account for 88 percent of total green box subsidies, and the magnitude of trade distortion in their favour is quite obvious.

country Members which enjoy **special privileges to preserve domestic consumer price stability and to ensure food security** will receive special consideration for maintaining monopoly status (Paragraph 25)." This also partially responds to the long-standing developing country demand on special considerations on non-trade concerns.

- Fifth, for ensuring increased level of market access for all commodities, further negotiations and substantial commitments on tariff reductions have been proposed, "The number of bands, the thresholds for defining the bands and the type of tariff reduction in each band remain under negotiation (Paragraph 30)." In addition, the draft intends to liberalize the relatively protected sectors increasingly, "**Progressivity in tariff reductions** will be achieved through deeper cuts in higher tariffs with flexibilities for sensitive products (Paragraph 29)." To tackle the problems associated with **tariff escalation**, the issue remains under negotiation as well as **tariff simplification**. The developing country concerns have been adequately addressed, and establishment of a **special safeguard mechanism** has been proposed for them (Paragraph 42). Moreover, additional flexibility has been granted to developing countries in terms of identifying special products, "Developing country Members will have the flexibility to designate an **appropriate number of products as Special Products, based on criteria of food security, livelihood seeurity and rural development needs**. These products will be eligible for **more flexible treatment** (Paragraph 41)."

- Sixth, the draft notes, "Tariff reductions will be made from bound rates. Substantial overall tariff reductions will be achieved as a final result from negotiations (Paragraph 29)." It has been pointed out by various studies that the developed countries were well prepared for the reduction consequences during Uruguay Round and therefore agreed on the bound rates with substantial policy leverage. In short, the absolute level of tariff reform has been much higher in case of developing countries as compared to their developed counterparts. International Food and Agricultural Trade Policy Council (2004) pointed out that the applied AMS in EU and US are 47.8 and 16.8 respectively, while the bound AMS is 69.4 and 19.9 in the same order. The draft text seems to respond to this developing country concern.

However, in spite of these clear advantages the July 2004 draft has in terms of favouring the developing country interests, there exist several points in the draft, which are not very clear and eventually might lead to breakdown of negotiations instead of reaching a mutual consensus. The agreement is merely a means to restart negotiations and definitely not the end. The two developed countries, EU and US have only consented to start negotiation on improving market access, and have not committed on doing the same in a time-bound basis. Therefore the scenario should be studied with caution. A brief analysis of potential problem areas is provided in the following.

- First and foremost, there has been **no agreement on deadline**, i.e., everything is left to the pace of negotiation on individual aspects, market access, domestic support and export subsidy. While it seems a pragmatic approach for the time being, there is no reason to believe that the negotiation would enable members to reach consensus by the next four months, when the discussions during the last four years had failed to deliver the same.

- Second, while reduction in blue box measures and monitoring of the green box measures have been promised, the accounting and estimation of the distortion caused by the green box measures has always remained troublesome. Therefore, it might turn out to be another area of tussle between developed and developing countries.

- Third, the developing countries should approach the scope for negotiations in tbe blue box measures with caution. Although Paragraph 15 provisions effectively favour the developing country position, a number of issues are to be resolved at the negotiation table. For instance, "The **historical period** will be established in the negotiations." Also, in situations where the members continue with higher support measures, gray areas do remain, "In cases where a Member has placed an **exceptionally large percentage of its trade-distorting support in the Blue Box**, some **flexibility** will be provided on a basis to be agreed to ensure that such a Member is not called upon to make a **wholly disproportionate cut**." While the negotiations on determination of 'historical periods' might not be a major source of problem, the same could not be concluded about allowance of flexibility. It has been mentioned in the paper that most of the blue box support measures are provided by EU and US only, and therefore the determination of proposed flexibility might lead to another major tussle between them and the developing countries, who believe that these two countries need to phase out all blue box supports, and not merely transfer them elsewhere. Putting alternatively, even if the EU/US reduce the blue box measures, a policy option for maintaining some supports has been provided to them through the 'disproportionate cut' option.

- Fourth, although the consensus on the tiered formula for reducing the final bound total AMS, with progressive liberalization is a welcome move, several concern areas are still left unresolved. For instance, the third point in paragraph 9 mentions, ".. product-specific AMSs will be capped at their respective average levels according to a **metbodology to be agreed**." The fourth point states, "Substantial reductions in Final Bound Total AMS will result in reductions of **some** product-specific support." Clearly arriving at a consensus on an agreed methodology, and identifying the areas for reduction will not he a cakewalk and definitely be a lengthy process. EU and US would definitely like to restrict the identified areas to certain obscure modes of payments, hiding the real trade-distorting oncs.

- Fifth, paragraph 31-34 deals with the provisions for **sensitive products**, which states, "Without undermining the overall objective of the tiered approach, Members may designate an **appropriate number**, to be negotiated, of tariff lines to be treated as sensitive, taking account of existing commitments for these products (Paragraph 31)." In addition, the base for MFN-based tariff quota expansion for these products also needs to be negotiated. The determination of 'appropriate' number might turn out to be another major source of disputes.

- Sixth, the coverage of the special and differential treatment will depend heavily on the bargaining strength of the developing countries. For instance, the relevant provisions under market access (Paragraph 41) designate the developing countries the flexibility to have an **appropriate number** of products as **special products**. The determination of appropriate number will not be very easy, and might well emerge as a source of discontent among the members. In fact, the developing countries who are not net importers of food, should forgo this advantage and negotiate with developed countries to get increased market access in reciprocation.

The paper does not mean to portray that the July 2004 draft leads to an inefficient mechanism. It indeed represents the developing country interest in a better manner as compared to the Derbez draft. However, in light of the EU-US-Japan behaviour over the last eighteen years, it seems unlikely that there will be an immediate effect on agricultural trade, or minimization of the distorting policies, following the options specified in the draft. Although at Cancun the developing countries felt much excited over the formation of a developing country negotiating coalition, and considered rejection of EU-US draft as their major success, at the end of the day, practically speaking, EU and the US turned out to be real winners. In other words, the failure at Cancun provided these two countries the perfect excuse they were looking for, to delay the liberalization of domestic support and export subsidy for ten valuable months, and the burnt has been borne by their developing counterparts. The draft text has provided the developing countries another opportunity to initiate the discussion once again. Therefore, they need to focus on formulating a suitable negotiating strategy to get the most grom the exercise.

INDIA'S OPTIONS

In light of the earlier observations, we recommend the following policies to be included in India's negotiating strategy in the coming months. Some of the possibilities narrated here have already been discussed in Chakraborty and Singh (2004a):

1. Stepping up Negotiation Strength through Alliance: One major advantage in the recent period is that a similarity in opinions is gradually occurring. While in the pre-Cancun period, the world was pretty divided in terms of the proposed modalities; the EU-US move has at least caused a convergence of opinion among developing countries in the post-Cancun period. Therefore, cooperation among them, the need of the hour, should not be problematic. The strength of joint negotiating approach has been witnessed in Cancun, and this lesson should be followed in all future negotiations. India should adopt a pragmatic give-and-take approach for ensuring support of other interested countries/groups. Alliance with CAIRNS group, consisting of 14 agro-exporting nations, who are pushing hard for reforms in the agricultural subsidization programmes in general, and CAP in particular for a long time, might turn out to be really beneficial for India.[47] Furthermore, they are quite sympathetic to granting of special and differential treatments to developing and least developed countries to address their legitimate and varied needs, including agricultural and rural development, food security, and subsistence and small scale farming for the development of domestic food production. Gulati et al (1996) and Chakraborty and Singh (2004b) has shown that Indian agricultural products are fairly price competitive, and opening up of agricultural trade would not lead to complete rout of domestic farmers. Therefore, India should try to win the support of CAIRNS group and other developing countries (potential allies) through granting of preferential access in domestic market in response to their support against EU-US subsidization policy.[48] Joint negotiation along with Brazil, China and South Africa would also play a vital role.

*2. **Push for de-coupling of subsidy***: Negotiations directed to restrict overall amount of EU subsidy, have not delivered desired results. The future negotiations therefore must focus on de-coupling of CAP subsidies by formulating a single farm payment independent from production in the short run, in line with the June 2003 EU proposal. The intra-EU tension on this issue has already surfaced. Second, the long-run negotiation strategy should focus on restraining the EU subsidy scheme only to non-traded agricultural production. This, once achieved (although a difficult goal), would put tremendous pressure on EU budgetary support and is bound to affect subsidy level as a whole in future. Again, the negotiation should be carried on in association with influential pressure groups like CAIRNS along with other developing countries, since the group is ready to support any developing country in the agricultural trade reform related agenda.

[47] A number of countries like Argentina or Colombia, who are with India within the G-20 group, are members of CAIRNS group. Therefore, India might use their connection to exploit the CAIRNS group lobbying and much stronger bargaining power.

[48] India seems to get on with this notion in recent period. The commerce minister in October 2003 commented, "In the whole process, your negotiating ability will have to depend on where your interest largely lies. WTO cannot be a 'take-take' situation; it has to be a 'give and take' situation. That is where your negotiating abilities are at stake. But if we have a domestic opinion that even if you take nine and give one, it would not be acceptable, then our negotiators will always be under pressure. Therefore, as a mature society, we will have to realize that in this process the give and take situation will have to go on." India and the WTO Newsletter (October-November 2003 Issue).

*3. **Tariff Reform***: Simultaneously with the subsidization concern, more stress should be laid on increasing the market access. While the July 31 draft has agreed to discuss the market access issues and promised progressive tariff reduction in case of overprotected sectors, a cautious approach has to be followed by the developing countries. So far the developed countries, in spite of lowering the overall tariff protection, have managed to hide strategic tariff peaks to protect sectors with national interest. As seen from **Table 6**, the tariff rate is quite high in EU and Japan, where a major proportion of the tariff lines fall within the 10-40% band. On the other hand, the sectoral approach in progressive liberalization should definitely focus on grains, dairy products and sweeteners, wherein the developing country interest lies. Finally, although tariff escalation has been included in the negotiation agenda, the outcome might be delayed owing to difference on formulating the reduction approach. It is seen from the table that tariff escalation is significantly higher for primary products in EU, Japan and US as compared to the overall applied rate and acting as a barrier on value-added exports from developing countries. In their own interest, the developing countries should try to formulate an applicable formula for lowering the extent of tariff escalation at the earliest, and needless to add, a developing country joint negotiating approach would be the cornerstone of success in this endeavor.

TABLE 6: The Tariff Scenario in EU, Japan and the US

Percent of Tariff Lines bound at Various Rates						
Tariff range	**European Union**		**Japan**		**United States**	
> 0-10	44		51		76	
> 10-40	34		34		17	
> 40-100	15		4		5	
> 100	8		11		2	
Bound Tariff Averages by Commodity Groups (in percentage)						
Commodity Group	**European Union**		**Japan**		**United States**	
Grains	53		191		2	
Oilseeds	0		72		17	
Dairy	87		308		42	
Sweeteners	59		82		46	
Tariff Escalation by 2-digit ISIC industry						
Stage of Processing[49]	**European Union**		**Japan**		**United States**	
	FBT[50]	**All sectors**	**FBT**	**All sectors**	**FBT**	**All sectors**
1	12.4	7.3	25.4	14.6	3.2	2.2
2	19.9	4.9	20.3	4.9	9.0	5.2
3	18.4	7.0	22.6	7.8	13.1	5.7

Source: IFATPC (2004) and WTO Annual Report (2003)

4. Qualitative Aspects: The blue and amber box measures should be completely eliminated within a specified time frame, in place of negotiating to put a futile cap on them. Developing countries, with much lower blue box support measures, are not likely to be affected adversely. The proposed monitoring of green box measures is the need of the hour, as the developed countries through expenditure on rural infrastructure and other sources adversely affect competitiveness of the developing countries. The negotiations in coming meetings must ensure a strict monitoring of these measures in developed countries and ask for restriction on the maximum possible amount in green box measures as well.

[49] 1 = First stage of processing; 2 = Semi-processed; 3 = Fully processed.

[50] Food, Beverages and Tobacco.

5. Special and Differential Treatment for Developing countries: The continuation of the subsidization schemes in developed countries is open proof of the fact that developing countries are yet to reach a level-playing ground. India has rightly negotiated in including the safeguard measures in market access provisions, national emergency situations and non-trade concerns in July 2004 draft. Following up of this success with identification of strategic sensitive products would be of immense importance.

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Annex 1: India's Proposals to WTO on Agreement on Agriculture (Source: http://www.commerce.nic.in/wtomarket.htm#h1)

A. PROPOSALS ON FOOD SECURITY

For large agrarian developing countries like India, food security is an important and integral element of national security. Physical access to food in developing countries can be ensured only through a certain minimum level of self-sufficiency. Further, the subsistence and livelihood of farmers in large agrarian economies can also be seriously jeopardised due to cheap/subsidised imports. Other factors like the limitations of developing country farmers to change to other crops or to shift from agriculture to manufacturing or services, and the inability of developing countries to set apart required foreign exchange resources for making purchases from the volatile global markets, as also the difficulties in ensuring timely distribution of imported food grains to remote and backward areas are also significant issues in safeguarding the food security and livelihood in these countries. Given the fact that more than 50% of the population in most of the developing countries is totally dependant on agriculture for their livelihood, the following measures would constitute a 'Food Security Box' for developing countries:

i. All existing provisions of Annex-2 of AoA except Paragraphs 5,6 & 7 should be continued, being an integral part of the food security measures required to be taken by developing countries;

ii. All measures taken by the developing countries for poverty alleviation, rural development, rural employment and diversification of agriculture should be exempted from any form of reduction commitments;

iii. Flexibility to be given to developing countries in the manner of providing subsidies to key farm inputs, which nevertheless should continue to be accounted for in the Non-product specific support AMS calculations;

iv. In addition to the provisions contained in Article 6.2 of Agreement on Agriculture, relating to agricultural investment and input subsidies, Product specific support given to low income and resource poor farmers should also be excluded for AMS calculations;

v. Negative Product specific support to be permitted to be adjusted against positive Non-product specific support;

vi. Appropriate level of tariff bindings to be allowed to be maintained by developing countries as a special and differential measure, keeping in mind their developmental needs and high distortions prevalent in the international markets so as to protect the livelihood of their very large percentage of population dependent on agriculture. The appropriate levels of tariff bindings will have to necessarily relate to the trade distortions in the areas of market access, domestic support and export competition being practised by the developed countries;

vii. Low tariff bindings in developing countries, as could not be rationalised in the earlier negotiations, should be allowed to be raised to the ceiling bindings for similar category of products, committed during the Uruguay Round;

viii. A separate safeguard mechanism on the lines of the Special Safeguard provisions (Article 5 of AoA) including a provision for imposition of Quantitative Restrictions under specified circumstances, should be made available to all developing countries irrespective of tariffication in the event of a surge in the imports or decline in prices and to ensure food and livelihood security of their people.

ix. Developing country members should be exempt from any obligation to provide any minimum market access;

x. The product coverage of the Agreement on Agriculture requires rationalisation by including primary agricultural commodities such as rubber, primary forest produce, jute, coir, abaca and sisal etc. which are much more agricultural than hides and skins which are already covered under AOA.

B. PROPOSALS ON MARKET ACCESS

i. An appropriate formula with a cap on tariff bindings should be evolved to effect substantial reduction in all tariff levels including peak tariffs and tariff escalations in developed countries. The developed countries should make a down payment by way of bringing down the tariff bindings, as on 1-1-2001, by 50% by the end of the year 2001.

ii. As a special and differential measure, the developing country members should be allowed to maintain appropriate levels of

tariff bindings keeping in mind their developmental needs and the high distortions prevalent in the international markets. The appropriate levels of tariff bindings will have to necessarily relate to the trade distortions in the areas of market access, domestic support and export competition being practised by the developed countries.

iii. A separate Safeguard mechanism on the lines of the Special Safeguard provisions (Article 5 of AoA) along with a provision for imposition of Quantitative Restrictions under specified circumstances, should be made available to all developing countries irrespective of tariffication, in the event of a surge in the imports or a decline in prices and to ensure the food and livelihood security of their people.

iv. Even after the abolition of the peace clause (Article 13 of AoA), as a special and differential provision, measures taken by developing countries under Annex 2 (Green Box) and other domestic support measures conforming to Article 6 of AoA shall be exempt for a period of ten years from imposition of countervailing duties under the Agreement on Subsidies and Countervailing Measures and Article XVI of GATT 1994 and shall also be exempt from actions based on non-violation nullification or impairment of the benefits of tariff concessions under paragraph 1(b) of Article XXIII of GATT 1994.

v. Tariff Rate Quotas (TRQs) should be eventually abolished. In the intervening period, there should, however, be substantial expansion of TRQs administered by developed countries. There should also be greater transparency in administration of TRQs by prescribing guidelines for complete uniformity across countries and products, adopting a common base period for calculating domestic consumption for minimum market access commitment by the developed countries, mandatory filling up of TRQs by developed countries and stricter application of the MFN principle in allocation of TRQs with special preference being given to developing countries having less than $1000 per capita annual income. Allocation of TRQs should be for specific products and not for aggregated commodity groups.

vi. Developed country members should not be allowed to use SPS measures for protectionist purposes by prescribing overly stringent trade restrictive SPS measures for denying market access to developing countries.

vii. Developing country members should be exempt from any obligation to provide any minimum market access.

viii. The provision of Special Treatment as provided in Section A of Annex 5 of AoA, which is enjoyed by a very few countries for a few products, should be removed as it is against the basic principles of GATT.

C. PROPOSALS ON EXPORT COMPETITION

i. Export subsidies on all agricultural products should be eliminated in the first 2 years of implementation, both in terms of export subsidy outlays and subsidised volumes. As a down payment, the subsidy outlays and subsidised volumes should be reduced by 50% from the level maintained in the year 2000 by the developed countries by the end of 2001.

ii. During the transition period also, no 'rolling over' of unused export subsidies should be allowed.

iii. All forms of export subsidisation including export credit, guarantees, price discounts and insurance programmes etc. in developed countries should be added to the export subsidies and should be subjected to the overall disciplines applicable to export subsidies.

iv. Taking into account the needs and special conditions of developing countries:

o The existing special and differential treatment for developing countries under Article 9.4 of the AoA should continue; and

o Special dispensation for developing countries provided under Article 27 read with Annex VII of the Agreement on Subsidies and Countervailing Measures should prevail over Article 8 of AoA.

v. Article 13 (c), which gives protection to export subsidies that conform to the provisions of part (v) of AoA, should be abolished forthwith.

vi. After the abolition of the peace clause (Article 13 of AoA), the

provisions under Article 9.1 (d) & (e) permitted to be used by developing countries without any reduction commitments under Article 9.4 of AoA should be retained as such and should be exempt from countervailing duties and actions based on Article XVI of GATT 1994 and the Agreement on Subsidies and Countervailing Measures.

D. PROPOSALS ON DOMESTIC SUPPORT

i. Direct Payments along with decoupled income support and Governmental financial participation in income insurance and income safety-net programmes (Paragraphs 5,6, & 7 of Annex 2) as well as direct payments under production limiting programmes (Art. 6.5) should be included in the non product specific Aggregate Measurement of Support and should be subject to reduction commitment so as not to exceed the *de minimis* level, i.e., 5% (for developed countries) and 10% (for developing countries) of the value of that Member's total agricultural production (Article 6.4).

ii. Product specific support provided to low-income resource poor farmers should be excluded from the AMS calculations, as is the case for the non-product specific support as per Paragraph 6.2 of AOA.

iii. The total domestic support should be brought down below the de minimis level within a maximum period of three-years by developed countries and in five years by the developing country Members. The developed countries should make a down payment by the end of the year 2001, through a 50% reduction in the domestic support from the level maintained during the year 2000; or by the amount as is higher than the dc minimis, whichever is lower.

iv. A suitable methodology of notifying the domestic support in a stable currency/basket of currencies should be adopted for taking into account the incidence of inflation and exchange rate variations.

v. Negative product specific support figures should be allowed to be adjusted against the positive non-product specific AMS support figures.

vi. While product specific support should be calculated at the aggregate level, support to any one particular commodity should not be allowed to exceed the double of the ***de minimis*** limit of that commodity, as prescribed under Article 6.4.

vii. Support extended under Paragraphs 5,6 and 7 of Annex- 2 should be shifted from Article 13 (a) to 13 (b) of the Peace Clause. However, the Peace Clause must lapse as already provided in AoA.

viii. The provisions of Article 6.4 of AoA should prevail over the stipulation contained in Article 13 (b) (ii) of the Agreement.

ix. After the abolition of the peace clause (Article 13 of AoA), as a special and differential provision, measures under Annex 2 (Green Box) and other domestic support measures conforming to Article 6 of AoA shall be exempt from imposition of countervailing duties under the Agreement on Subsidies and Countervailing Measures and Article XVI of GATT 1994 and shall also be exempt from actions based on non-violation nullification or impairment of the benefits of tariff concessions under paragraph 1 (b) of Article XXIII of GATT 1994.

x. All measures taken by developing countries for poverty alleviation, rural development, rural employment and diversification of agriculture should be exempted from any reduction commitments.

ANNEX 2 : A Summary of Country Positions at the AoA Negotiations (Pre-Cancun)

Countries Groups / WTO AoA "3 Pillars"	MARKET ACCESS	DOMESTIC SUPPORT	EXPORT SUBSIDIES
1 The African Group	Tariff reductions based on Final Bound Rates; Review Article 5 of AoA	Progressively reduce domestic support measures; basic criteria for Green Box Support should be strengthened; domestic support should allow developing countries to meet NTCs like poverty alleviation, food security etc.	Export subsidies should be substantially and progressively reduced, with a view to their eventual elimination. Urgent action should be taken to the development of agreed disciplines to govern the provision of export credits, export credit guarantees and insurance programmes.
2 ASEAN	Tariff reductions and elimination of tariff peaks and escalation	Domestic measures under development programmes of developing countries must be exempt from reduction commitments; elimination of AMS from developed countries; review Green Box Measures.	Eliminate all forms of export subsidies and commit to their unconditional prohibition; Disciplines in export credits, guarantees and insurance programmes should be developed.
3 CAIRNS' Group	Deep cuts or elimination of agricultural tariffs on bound rates	Elimination of domestic support measures starting with an initial 50 percent down payment;	Elimination and prohibition of all forms of export subsidies starting with a reduction (e.g.

		review Green Box criteria	not less than 50 per cent) in both outlays and volumes in the first year of the implementation period.
4 European Communities	Tariff Reductions based on the UR formula;Introduced NTCs like precautionary principle, GIs into AoA; Maintain SSG	Maintain Green and Blue Box Measures; Specific disciplines for Amber Box; reduce *de minimis* levels	Reductions can be negotiated provided that all forms of support to exports are treated on a common footing (i.e. export subsidies, export credits, food aid, state trading enterprises); Specific WTO rules and disciplines should be developed to cover export credits.
5 India	Initial reduction of 50 percent on bound tariffs by developed countries;Strong accent on food security as a NTC; Create safeguard mechanism similar to SSG for developing countries	Flexibility to developing countries in the manner of providing subsidies to key farm inputs; Total domestic support should be brought below *de minimis* levels within three years by developed and five years by by developing countries; all measures taken for NTCs like poverty elevation; food security etc. should be exempt from reduction commitments.	Elimination of export subsidies in the first 2 years of implementation with a down-payment of 50 per cent on the level used in 2000; No rolling over of unused export subsidies.
6 Japan	Built around the concept of multifunctionality, tariff	Maintain current rules and disciplines on domestic support;	Further reduction in the amount of export subsidies and the

	reductions should give flexibility to individual products;Maintain SSG	determine AMS commitments in a realistic manner; maintain Blue Box	volume of subsidized exports by binding the level of the unit value of export subsidies that will be progressively reduced during the implementation period.
7 Transition Economies	Flexibility provisions, such that low tariffs are exempt from further reductions	Include specific provisions in AoA which exempt investment subsidies and input subsidies from reduction commitments.	
8 The Developing Country Group / Like Minded Group	Reduction in tariff escalation and tariff peaks	All domestic support to be collapsed into a single "General Subsidies" box; with a set of criteria; A common level of support should be allowed, e.g. 10 per cent of this one box.	Dumping must be prohibited and export subsidies of all forms by developed countries must be eliminated immediately.
9 USA	Substantial reduction and/or elimination of tariff disparities within different countries; Eliminate SSG under Article 5	Simplification of the domestic support disciplines into two categories; exempt support and non-exempt support.	Reduce to zero the levels of scheduled budgetary outlays and quantity commitments through progressive implementation of annual reduction commitments over a fixed period; conduct negotiations for export credit programs in the Organization for Economic Cooperation, and apply disciplines to all users.
10 Small Island Developing States	SSG to developing countries	Higher *de minimis* level for SIDS	

Source: Quoted from Naik and Singh (2003)

ANNEX 3: A Comparative Analysis of Various Proposals for Liberalizing Agriculture (Pre-July 2004 Meeting)

MARKET ACCESS

Harbinson Draft (March 18, 2003)	Joint EU-US Paper (August 13, 2003)	G-20 Proposal	Chair of General Council Text (August 24, 2003)	Derbez Draft (September 13, 2003)
• Require minimum tariff cut from bound rates. • Average tariff cuts across all agricultural products. • Reduce tariffs according to four tariff bands, with higher tariffs subject to great reduction. • Reduce tariff escalation on all products. • Convert specific tariffs to ad valorem tariffs. • Expand TRQs to X% of annual consumption. • Allow countries to expand some TRQs less if they expand others by more. • Recalculate national consumption base for quota. • Improve TRQ administration. • Eliminate SSG for developed countries. **Special and Differential Treatment·** • Eliminate in-quota tariffs on products of interest to developing countries. • Provide duty and quota free access to all imports from LDCs. • Allow developing countries to designate X% of products as strategic products, with reduced tariff and quota commitments. • Retain margin of preference or delay developed country tariff cuts in these products. • Do not require reductions in in-quota tariffs. • Extend SSG to strategic products	• Reduce X% of tariff lines with URAA formula. • Increase access with combination of TRQs and tariff cuts. • Reduce X% tariff lines with Swiss formula. • Eliminate duties on X% of tariff lines. • Reduce all tariffs to maximum cap OR increase TRQs in exchange for lower tariff cuts. • Discuss SSG for developed countries. **Special and Differential·** • Create SSG for import sensitive commodities of developing countries. • Seek to provide duty free access for X% of imports from developing countries.	• Reduce X% of tariff lines by Y%. • Reduce X% of tariff lines with Swiss formula. • Eliminate duties on X% of tariff lines. • Average of all tariff cuts shall be higher than minimum average cut. • Reduce all tariffs to a maximum tariff. • Expand tariff rate quotas by X% of consumption. • Increase TRQs in exchange for smaller tariff cuts on R/O basis. • Reduce in-quota duties to zero. • Reduce tariffs on processed products proportionately. • Discontinue SSG for developed countries. • Provide duty free access for all tropical products; other products representing X% of imports from LDCs **Special and Differential** • Reduce X% tariff lines using URAA formula. • Do not require any TRQ increase or in-quota tariff cuts from developing countries. • Create SSG for developing countries. • Create Special Products Designation.	• Reduce X% of tariff lines by URAA formula, with increase in TRQs on sensitive products. • Reduce X% of tariff lines with Swiss formula. • Eliminate duties on X% of tariff lines. • Reduce all tariffs to a maximum cap OR provide increased TRQs. • Address tariff escalation. • Discuss SSG for developed countries. **Special and Differential** • Reduce X% of tariff lines with URAA formula with TRQ increases for sensitive products. • Establish subcategory of Special Products, subject to minimum tariff cut and no TRQ increase. • Reduce other tariff lines with URAA formula at lower rates OR Reduce X% of lines with Swiss formula. • Create SSG for developing countries. • Exempt developing countries from maximum tariff cap. • Ask developed countries to provide duty free access for X% of imports from developing countries. • Exempt LDCs from reduction commitments on market access.	• Reduce X% of tariff lines by URAA formula [Reduce X% of tariff lines by X% average cut]. • Increase TRQs and reduce tariffs on sensitive products [create or expand TRQs on sensitive products.] • Reduce X% of tariff lines with Swiss formula. • Eliminate duties on X% of tariff lines. • Achieve a simple average tariff cut for all products. • Reduce all tariffs to a maximum cap OR increase access through TRQs. • Exempt "sensitive" products from tariff cap on basis of NTCs [G21 deletes this language]. • Reduce tariffs on processed products proportionately. • Reduce in-quota tariffs [and expand TRQs by formula]. • Discuss TRQ expansion. • Discuss SSG for developed countries [negotiate end to SSG for developed countries]. • Ask [Require] developed countries to give duty and quota free access to all products from developing countries. **Special and Differential** • Reduce X% of tariff lines by URAA formula. • Increase TRQs and lower tariff cuts for sensitive products [G21 deletes this language]. • Designate Special Products subject to minimum tariff cut, and no TRQ increase • Allow various reduction formulas for low tariffs. • Discuss tariff cap for developing countries. • Create SSG for developing countries.

EXPORT COMPETITION

Harbinson Draft (March 18, 2003)	Joint EU-US Paper (August 13, 2003)	G-20 Proposal	Chair of General Council Text (August 24, 2003)	Derbez Draft (September 13, 2003)
• Eliminate export subsidies on X% of products within X years. • Eliminate export subsidies on remaining products over a longer period. • Continue URAA cuts in value and volumes of export subsidies. • Limit terms and interest rates; bring export credits under subsidy disciplines. • Restrict food aid to requests by multilateral agencies or recipient governments. • Restrict non-grant food aid. • Constrain state-trading entities. • Ban export taxes and restrictions.	• Eliminate export subsidies on products of interest to developing countries. • Eliminate subsidized export credits on products of interest to developing countries by reducing tenor. • Reduce export subsidies on other products with URAA formula. • Reduce export credit "subsidies" on other products in parallel. • Prevent commercial displacement by food aid. • Discipline STEs. **Special and Differential** • Adjust S&D for net food exporting countries.	• Eliminate export subsidies over X years for products of interest to developing countries. • Eliminate export subsidies over Y years for other products. • Discipline export credits, STEs, food aid with rules-based approach, which reduces and eliminates subsidy component. • Prevent commercial displacement by food aid. **Special and Differential** • Exempt transportation and marketing subsidies from commitments.	• Reduce and eliminate export subsidies on products of interest to developing countries. • Reduce export subsidies for other products with URAA disciplines. • Reduce and eliminate trade-distorting element of export credits provided by STEs. • Prevent commercial displacement by food aid. • Discuss date certain for eliminating export subsidies. • Strengthen disciplines on export bans.	• Eliminate export subsidies over X years for products of interest to developing countries. • Reduce w/view to phase out, export subsidies for other products with URAA disciplines [over a period of X years]. • Eliminate trade-distorting element of export credits on products of interest to developing countries [include export credit insurance, guarantee program]. • Phase out export credits on other products. • Reduce and eliminate. all export subsidies provided by STEs. • Prevent commercial displacement by food aid.
Special and Differential • Reduce and eliminate X% export subsidies over X years; the remainder over a longer period. • Exempt transportation and marketing subsidies from commitments. • Allow LDCs longer repayment terms on export credits.			**Special and Differential** • Exempt transportation and marketing subsidies from commitments until all export subsidies eliminated. • Ensure that disciplines on credits and food aid do not harm LDCs or net food importers.	• Discuss date certain for eliminating export subsidies [Negotiate date to eliminate export subsidies]. • Strengthen disciplines on export bans. **Special and Differential** • Phase out export subsidies over longer timeframe. • Exempt transportation and marketing subsidies from commitments until all export subsidies eliminated. • Ensure that disciplines on credits and food aid do not harm LDCs or net food importers. [Provide flexibility on export bans].

DOMESTIC SUPPORT

Harbinson Draft (March 18, 2003)	Joint EU-US Paper (August 13, 2003)	G-20 Proposal	Chair of General Council Text (August 24, 2003)	Derbez Draft (September 13, 2003)
• Cap and reduce Blue Box payments OR include Blue Box in total AMS and reduce. • Reduce Amber Box. • Prohibit increase in Amber Box support for individual commodities beyond [1999-2000] levels. • Reduce product specific de minimis support. • Require fixed and unchanging base periods for Green Box. • Time limit structural adjustment payments. **Special and Differential** • Reduce Blue and Amber Box subsidies over longer time frame. • Retain product specific de minimis support.	• Require countries with higher Amber Box levels to reduce more than those with lower levels. • Redefine Blue Box to include payments made on limited quantities; remove production-limiting criteria. • Cap redefined Blue Box at 5%. Reduce de minimis payments. • Reduce Blue Box, Amber Box and de minimis below 2004 AMS.	• Require countries with higher Amber Box levels to reduce more than those with lower levels. • Reduce trade-distorting support by X% on a product specific basis. • Require products with higher support to reduce more. • Impose down payment in first year. • Subject exported products to larger reduction (and eventual elimination) of support. • Reduce de minimis subsidies by X%. Eliminate Blue Box. Reduce AMS and de minimis by X%. • Cap and reduce direct Green Box payments.	• Require countries with higher Amber Box levels to reduce more than those with lower levels. • Reduce de minimis. Redefine Blue Box. Cap Blue Box at 5% and reduce. • Reduce AMS, de minimis and Blue Box support below AMS2000. • Discuss Green Box criteria. **Special and Differential** • Exempt developing countries from de minimis cuts.	• Reduce trade-distorting subsidies significantly more than URAA [with a down payment of X%]. • Countries with higher Amber Box levels reduce more than those with lower levels. • Cap product specific AMS levels [Additional disciplines for products exceeding X% of world exports.] • Reduce de minimis. Redefine Blue Box: remove production-limiting criteria. • Cap Blue Box at 5% and reduce. • Cap Blue Box at 2.5%, reduce and phase out.
• Exempt all LDCs from domestic support reduction commitments. • Allow payments for production of food security crops. • Allow payments targeted to small scale family farms.		**Special and Differential** • Expand list of Green Box measures available to developing countries.		• Reduce Total AMS and de minimis, with a down payment. Review Green Box criteria to exclude trade-distorting subsidies [strengthen disciplines on direct payments]. **Special and Differential** • Expand list of Green Box measures available to developing countries. • Exempt developing countries from de minimis reductions.

Source: IFATPC (2004)

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