

**Seminar Proceedings:**  
***“Achieving the Doha Development Agenda”***

**Part II: Domestic Supports**

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*\*IPC member panelists represent their own personal opinions. They do not represent a particular country or organization.*

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## **Session One: How will the domestic political environment in the United States, the European Union, and Japan affect their positions in the WTO?**

**Robbin Johnson:** Developing countries and competing exporting countries have reacted critically to the *potential* of large trade distorting payments in the new United States farm bill. There are significant regional and commodity imbalances in the new farm bill and American farmers are starting to notice some of the shortcomings of the Bill. The 5% ceiling on trade distorting domestic support in the United States' negotiating proposal stands a better chance than many may think of gaining support over time, even among US farmers. Over the next few years, farm groups in the United States will have an interesting debate as they discover that, although they may have more power to make farm policy in Washington than in Geneva, they may have a better chance to make farm prosperity in Geneva than in Washington.

We are beginning to see some dramatic shifts in patterns of comparative advantage in agriculture around the world. Many developing countries are becoming increasingly competitive in bulk commodities. They are undertaking land, legal and institutional reforms that are accelerating their improvement in agricultural productivity. In response, capital and technology is beginning to flow to these countries, which will help close the productivity gap. As they enter early stages of economic development, they are likely to have weak currencies that will guarantee them competitive costs in the global marketplace. This means that developed countries will have to supplement their bulk production systems with value-added, niche market and higher quality products.

Trade negotiations involve two kinds of effects. The first is consumer welfare gains due to lower prices, wider choice and more competition. The second is producer gains and losses from export-oriented and import-sensitive sectors respectively. Consumer gains from trade may be more economically important, but it is usually the producer gains or losses that determine the political outcome. There are three policy levers for overcoming organized policy resistance from those who believe that they are likely to suffer from further trade liberalization: 1) Meaningful trade adjustment assistance. 2) Limiting liberalization. However, there are limits to which we can create exceptions to liberalization. 3) Competitive policy reform packages that stimulate enough trade and economic growth to ease the adjustment strains. Those who favor agricultural trade liberalization can find much to like in the United States' agricultural negotiations proposal, instead of the Farm Bill, and could improve prospects for reform by supporting it.

**Piet Bukman:** There are three historic trends in European agricultural policy: 1) protecting farmers against international competition; 2) opening up to international competition; and 3) recognizing the multifunctional nature of agriculture. The original targets of the Common Agricultural Policy were to create an environment that would support enough, cheap food of a reasonable quality. However, the price support that was included in this policy was so attractive to farmers that it created the surplus problem. The external pressure created by the Uruguay Round was a fundamental factor that influenced the reform that was introduced in 1992. That reform was the first step in a new direction toward reducing the trade distorting elements of the Common Agricultural Policy. The ministers continued to move in that direction with Agenda 2000 and Commissioner Fischler moved further in that direction in July, proposing an even more systematic approach. The reasons behind this movement are not just those of idealism; it also has to do with money, enlargement and the third trend – multifunctional agriculture. We cannot go on in this process of globalization without opening our markets for products from developing countries.

More and more attention has been given to multifunctionality as a basis for continuing some farm-related support for the farmers in the Union. This is related to meeting consumer preferences for quality, variety, animal welfare, environment considerations, etc. Liberalization of trade has positive possibilities for developing countries and their export ambitions. However, liberalization of trade is not the only solution for developing countries. The food security problem in many developing countries cannot be solved by surpluses. More attention needs to be given to domestic agricultural policies in developing countries. South-south trade may have even more potential for developing countries than a strong market position in the industrialized countries. Developing rural areas with economic activities other than agriculture is also very important. It should not be prohibited by elements of the Doha Round, but rather should be promoted.

**Hiroshi Shiraiwa:** Japanese farming after World War II was like that of a developing country today. Agrarian reform was implemented enabling tenant farmers to own farmland and raising incentives to increase food production. Large-scale industrialized operations by private corporations and farm management entities entered into the market, mainly in livestock farming and horticulture. However, in rice and vegetable farming, the core of Japanese agriculture, small family farmers exist with low productivity. The average arable cropland per farm is 1.6 hectares, compared to the EU's average of 18.4 hectares. With economic growth and improvement in the standard of living, the nation's diet has improved dramatically and currently is in maturity. Japan is heavily vulnerable to overseas markets. It became the world's largest agricultural products importer, tipping off the domestic and import

food supply balance, relying heavily on imports and increasing insecurity. According to a survey, 80% of Japanese feel uneasy about future food supply and hope for reform and new development in agriculture and the food industry complex. There is also much interest in environmental and landscape preservation and revitalization of farm villages. At the same time, efficiency and structural reform in domestic farm production and logistics is desired.

Some of the most important points in Japanese agriculture today are: 1) Sustainable farming is the theme for the new millennium. 2) Co-existence and co-prosperity in regional farming is necessary. The majority of people are concerned about food import reliance and want to strengthen domestic farming. Therefore, structural reform in farming joined by industry is desired. 3) Although the Uruguay Round agreement has been kept, time is still needed for areas such as rice since structural reform is taking time. 4) Since consumer confidence is low due to problems such as the BSE crisis and false labeling incidents by food manufacturers, the food supply system itself needs to be reevaluated and new legislative measures are essential. 5) Even the United States has recognized the importance of domestic protection in the latest farm bill. However, their proposals in the Doha agricultural negotiations are drastic, hasty and unrealistic. Further agricultural reform is committed in the Doha Declaration, but it was also agreed that it be promoted progressively according to diversity among member countries in terms of conditions of agricultural production and different stages of agricultural policy reforms.

## **Discussion**

### **Further Liberalization**

One negotiator asked whether liberalizing trade will help developing countries reorient their exports. He further asked Piet Bukman what the European Union is doing to help developing countries reorient their trade pursuant to his suggestion that trying to gain market share in industrialized countries was not the only approach for developing countries. Bukman reiterated his point that the European Union cannot demand high standards for products from its own farmers, but accept a lower standard from developing countries. It is possible in the context of developing country cooperation to help developing countries improve the quality in their production. He maintained, however that there are also great possibilities for developing countries to export to countries that have lower standards than the European Union. Bukman further emphasized that in the Doha Round, developing countries should not be able to build high walls through special and differential treatment provisions. In order to achieve food security, they need to invest in rural areas, prevent migration to big cities and improve the quality of their production. This will ultimately, not only solve their food security issues, but also give them better export opportunities.

### **Balancing the Pillars**

Another negotiator noted there is a lot of work to be done on the export assistance pillar, particularly with regard to export subsidies. Since the European Union is the main user of export subsidies, he wondered whether they would be a leading force on domestic support. If there has to be a balance between what can be achieved in export subsidies and what can be achieved in domestic support, what the effect of this was likely to be on the third pillar, market access? He expressed concern that if nothing can be done on the other two pillars, negotiators may feel obligated to get a lot of improvement in market access. This may mean asking the developing countries to go further in tariff reduction, which is already a problem. He wondered how far the negotiations could go on the market access pillar in isolation of the other two.

Piet Bukman responded that the negotiations must make progress on all three pillars in order to come out with an integrated result. He thinks that a movement toward less domestic support in the appropriate time frame is the right direction to go. Rob Johnson said that in the areas of domestic support and market access, negotiators can change the level of domestic support into less trade distorting effects or they can change the *form* of market access into more transparent forms of protection. With respect to export subsidies, however, the two-pronged approach is not available, he said. You have to fully eliminate the practice.

### **Food Security**

The panelists were asked what further liberalization, particularly a reduction of domestic support, would mean for food security. Robert Thompson replied that subsidies policies in higher income countries that stimulate higher production than would otherwise occur and the use of implicit or explicit export subsidies significantly depresses international commodity prices, all other things equal. He said that the World Bank believes that in the event of a reduction in domestic support, we would see some increase in international prices, the most subsidized products having the largest reduction in price relative to equilibrium.

Rob Johnson predicted that trade in value-added, semi and fully-processed products, which has significantly increased over the last few decades, will continue to multiply in the future. Johnson thinks that the real growth in food an agriculture trade may be more in animal products and semi and fully processed grain and oilseed products, a change which is restructuring the market and bringing more players and competition in.

Hiroshi Shiraiwa, however noted that in his experience, the market price always improved based on supply rather than the agriculture policy. He recommends that we look at the old-fashioned way of certain commodity agreements among the exporting countries, and that we the surveillance on the pricing of the export commodities.

**The United States Farm Bill**

IPC member and former United States Farm Bureau President, Dean Kleckner agreed with Rob Johnson's assertion that the new US Farm Bill was nothing more than a money grab that was allowed to pass because of the November elections in the United States. He suggested that those who are dwelling on the Farm Bill have a right to criticize it, but that they should move on and look at the US negotiating proposal. Kleckner believes that the general public in the United States will at some point rebel against these big subsidies payments to farmers and that farm groups are really short-sighted when they do not realize that change is coming. He further asserted that the farmers are really no better off with this farm bill because the increase in subsidies has been immediately capitalized into land values. Kleckner contended that the United States and the European Union would continue to pay their farmers. So, the question is, how trade distorting will the subsidy payments be?

## Session Two: How Should Developing Country Concerns be Addressed?

**Luisa Bernal:** Agriculture continues to be the main way of life in developing countries. It is a major source of foreign exchange; it provides basic food requirements and it is the major source of subsistence and cash income for large rural populations. However, the agriculture sector is underdeveloped in many developing countries. If developing countries want to make substantial progress in alleviation of poverty, economic growth and improvement in food security, something has to be done. There are two major reasons for the underdevelopment of agriculture in these countries. 1) The traditional bias in government policies against agriculture. Many developing countries have implemented direct and indirect taxation to agricultural activities with overvalued currencies and direct taxes to exports of agriculture products as a revenue source. 2) The subsidization in OECD countries' agriculture sectors.

Although the Agreement on Agriculture was meant to liberalize trade and reduce the support given to agriculture, the overall level of support has increased rather than decreased. The agreement gave legal recognition and protection to the type of support that high-income countries give to agriculture and undermined the possibility of the developing countries to protect their agriculture sector. This has led to import surges in the developing countries in important staple and sensitive products. It has undermined production in developing countries, and their food security situation has deteriorated. In market access, expectations of developing countries have been nowhere near realized. Where there are no safety nets, it is difficult to make a transition to another economic activity or to give other kinds of support, such as direct income support like developed countries do. From the perspective of developing countries, there is a clear link between what can be done in terms of domestic support and export subsidies reform and what can be achieved from market access. It does not seem wise to further reduce tariffs, since they are the only instruments to protect agriculture in most developing countries, if domestic support and export subsidies are not reduced considerably.

The Blue Box should be eliminated and counted as part of the AMS support or moved to the Amber Box. Some tightening and reduction should be done in the Green Box. The idea that this support is not trade distorting or is at least minimally trade distorting has not been the reality. Moreover, the developing countries either do not have the institutional capability or the financial resources to use domestic subsidies. The Amber Box has not been a constraint for developed country support. AMS support could be reduced to a 5% de minimus level in a very short per of time. Overall support should be capped, including the Green Box. This would prevent countries from shifting between these different boxes.

Suggestions for meeting developing country concerns: 1) Government assistance to encourage agricultural and rural development as well as food security and poverty alleviation in developing countries should be exempt from reduction commitments. 2) Support given by developing countries to crops whose productivity is average or below average as indicated by the FAO could be exempt from reduction commitments. Since productivity in these crops is low, the impact that they might have in trade would be small. 3) The revised agreement should give legal security, expanded flexibility and strengthen the clarity of Article 6.2. 4) A credit could be given in the form of a positive AMS for discounting negative AMS. 5) There could be an increase in the overall de minimus level of support for developing countries. 6) Taking inflation into account for keeping the real value of support should be addressed in the next negotiations. 7) Article 13, the Peace Clause, should not be extended so developing countries have the opportunity to protect themselves against subsidization. 8) Finally, attention has to be given to the concerns of NFIDCs and LDCs with regard to the increase in prices.

**Robert Thompson:** Of the 1.25 billion people who live on less than a dollar a day, 70% live in rural areas and most of them are farmers. People who are food insecure lack the purchasing power to access food supply. The agricultural sector in most developing countries is under-performing relative to its potential. There are five ways that a small holder can increase family income. 1) Get a hold of more land. 2) Increase production per hectare. 3) Grow a higher value per hectare crop, or higher value product. 4) Supplement income from the farm through non-farm employment. 5) Migrate out of agriculture into higher paid employment either in cities or within rural areas.

For many developing countries there simply is no more land that can be brought into production by each farmer. That means that we need additional investments in technology that can raise the productivity per hectare. I have reached the conclusion that you have got to increase the productivity per hectare or grow higher value per hectare crops in order to allow the family to earn a higher income and remain on the farm. In our recent review of our rural development strategy at the World Bank, we came to the conclusion that every country that has solved the problem of rural poverty has done it principally by supplementing family income with non-farm employment. This has happened in every country that has succeeded to gaining high levels of income, but we see tremendous urban crime and pollution and all the accompanying problems of very large cities resulting from excessive out migration from

agriculture to large cities. We have got to have the proper enabling environment so that these factors that can increase family income for impoverished farmers can be activated.

Most developing countries have been under-investing in the basic Green Box measures in rural areas. When you look at public expenditure surveys in developing countries there is a pronounced urban bias. The countries' own governments, official development assistance from other countries, the World Bank and the other regional development banks have significantly reduced their investments in agricultural development in these basic Green Box measures over the last twenty years. When you follow the money, the priority is not in solving the problem of poverty where the bulk of it resides, in rural areas. Without investment and assistance, you're not going to be successful in agricultural or non-agricultural development and you will not reach the food security or poverty reduction objectives that you wish. The present agricultural policies in high-income countries hurt the development potential of agriculture in low-income countries. Because of those policies, the prices that developing countries farmers face are lower and have a higher variance and are therefore reducing their earning potential. Farmers in many developing countries are taxed. This has often been implemented in order to protect urban consumers from paying a high cost for food. The developing countries need to change their own policies. At the same time, they need fairer treatment in the world market by elimination of export subsidies; reduction of domestic subsidies linked to production; reduction of the disparities in protection among crops in high income countries; reduction of tariffs; expansion and cleaning up of the administration of tariff rate quotas; and reduction of peaks and cascading of protection. We need increased consistency between high and low income country agricultural policies, between trade policies in high income countries and agricultural policies in high income countries, and between their official development assistance policies and all of the above.

**Panos Konandreas:** How effective have the boxes been in disciplining OECD support? The AMS commitments have been met, but absolute support is up and the producer subsidy equivalent measure is at the same level as prior to the Uruguay Round, about 40%. There has been a reinstrumentation of domestic support towards Green Box policies. But, the massive support that continues to be given under these boxes does distort production and trade. There is much flexibility in the provisions agreed and the countries that have the means, take advantage of it.

The general trend experienced in the developing countries in the 1980s and 1990s was the removal of price supports as a result of structural adjustment programs. Despite this, the disciplines on either those that had specific AMS commitments or those that fall under the 10% de minimus level have not yet constrained policy options for developing countries. Non-product specific support is a very attractive option for many developing countries for food security reasons. Many developing countries cannot increase the price of wheat or rice because they are basic foodstuffs, so they choose to reduce the cost of production for the farmers by subsidizing the inputs. There has not been any evidence so far that the boxes have constrained developing country policies. The percentage of developing countries that use Article 6.2 is small but could be highly valuable. Developing countries have only made partial use of the flexibility they have on domestic support, mainly because of lack of funds rather than lack of need. Three possible reasons why developing countries call for more flexibility: 1) Fear for the future; if the situation changes, their investment strategy may need to be reassessed. 2) What countries commit to the WTO is for the long term. 3) To attain some greater balance with regard to the flexibility they have vis a vis the flexibility the developed countries have. The boxes have not been effective in disciplining domestic support in the countries they were meant to discipline. They have not constrained developing countries policies, but they have not helped them either.

A new approach could be to eliminate all boxes and bring all support under one roof. There could be a long-term support target of 20% of the value of agricultural production, which would apply equally to all countries. This model will get us closer to a level playing field. However, a method working within the existing Agreement on Agriculture is more likely to prevail. Potentially, the Green Box could do the trick, but it is perhaps the wrong idea to fortify it when it already has problems. Green Box measures are resource demanding and those that have the means to take advantage of them will; those are not the poor developing countries. There are large differences in the level of development among the developing countries. In special and differential treatment either you discriminate between countries, or you get shallow special and differential treatment that does not amount to much. Shallow treatment is useless in practice and differentiating between countries tends to be politically unattractive. Large market distortions may result from providing special and differential treatment across the board. It is wiser to devise policies that target problems rather than countries. If the problems being targeted are predominantly those of the most needy countries, they will be effective special and differential treatment. A good example of a problem specific provision is Article 6.2. The conditions under which it applies apply to those countries that are in need.

If coupled policies are meant to solve food security problems, they should be encouraged for food insecure agrarian economies. If by increasing agricultural output you increase purchasing power, these poor people are going to buy the products they are producing and the net effect of the increase in production is less than what it would be

in a developed country. Demand and supply are two sides of the same coin for these households. Greater flexibility for developing countries without reform from developed countries is likely of little value. Developing countries may be served better by focusing more on reform in OECD countries than by obtaining more flexibility for themselves.

## **Discussion**

### **Increased Flexibility**

One developing country negotiator asked the panel if the developing countries are not legally constrained, why do they need more flexibility? He further pointed out that the Uruguay Round had educated farmers in his country about the subsidy levels in the US and EU, which constrains his government *politically* from reducing support. He stated that the creation of a development box would be, “a clear message that development policy in the agriculture sector will predominate and trade policy will be subservient.” The negotiator went on to point out that those countries with an AMS commitment have a great deal of flexibility since support can be aggregated and countries can “shuffle across various kinds of support.” However, those countries without an AMS commitment, mostly developing countries, are constrained only by the de minimus limits, which are calculated on a disaggregated basis. He suggested that disaggregated de minimus limits be removed.

### **The Boxes**

One negotiator asked Konandreas why he proposed to cap the level of all support at 20% and eliminate all boxes. Konandreas responded that he chose 20% because it is much less than what developed countries are using now, but would be meaningful; and it is much higher than what developing countries are using. The negotiator asked if the same level of support applies to all countries, where is the “flavor of the Doha Development Round?” He asserted that if problems rather than countries were targeted, “those that had the resources would likely be able to take advantage of whatever new resources there are, and those who did not would go without.” Konandreas responded that he did not believe special and differential treatment would be necessary in his scenario for domestic support, but that it might be necessary in the other pillars. The negotiator further said that encouraging coupled policies in developing countries would do no good. The problem is not that the developing countries do not have enough flexibility in their options for support, but that they do not have the money. Konandreas countered that if the problems are well-defined enough and are predominantly poor country problems, it is effectively self-targeting. Another developing country negotiator said his country was a consistent user of Article 6.2 and thinks that there is enough flexibility in the existing disciplines.

One negotiator worried that developing countries would have to use a lot of political chits to get a development box and that it would not do them much good in the end. He thinks that most of the effort needs to be in reforming OECD countries’ domestic support. Konandreas agreed saying, “I think the answer [to whether or not a development box is necessary] relates to what developing countries are going to give in order to get a development box and what they can potentially get from [it]. If this give and take does not match up, I do not think just aiming for a development box is a good strategy.” He worried that if this box was created, the tools in it would be used by the “most developed” of the developing countries to the detriment of those who are worst off.

Bernal was concerned about how the instruments in the development box would be decided. She suggested that specific new provisions in the other pillars, such as a special safeguard instrument in market access might, however, be necessary. Robert Thompson said that a special safeguard is something that is going to have to be considered carefully. He added that, “It is simply not fair to ask low-income farmers to compete with the treasury of the US and EU.”

## Session Three: How Should Domestic Supports be Disciplined in the Doha Round?

**Mike Gifford:** The GATT failed because domestic policies were at the root of the trade problems. This was not recognized until the 1980s. If countries move to Green Box policies, they can cut exports and increase market access. You will not get export subsidies discipline and market access commitments without keeping the Green Box available. Commodity specific support is ideal, but if it cannot be negotiated, you have to come up with something else. If Green, Blue and Amber boxes and aggregated support remain the characteristics of the domestic support pillar, then exporters need to get back their right to claim impairment, given up under the Peace Clause. This reinforces developing countries arguments for recourse to special safeguards without countervailing duty complications. If you keep the Peace Clause, Green measures should not be countervailing. Non-trade concerns should be dealt with in the Green Box and nowhere else. A de minimus level of 5% for commodity specific support is too high. If you decide to modify the Green Box, be very careful that you are not opening a Pandora's box. The Blue Box is less trade distorting than the Amber Box, so you cannot just merge them. The Blue Box should be reduced, but not as much as the Amber Box. It would be nice to have an overall cap on support. If that cannot be negotiated, it will be politically impossible to get OECD countries to accept limits on the Green Box. Developing countries are then, forced to get better market access and export assistance agreements.

If you want a big result in agriculture in this round, you will have to agree to a longer implementation period than is currently planned. You can get a modest result with a five-year implementation period, but a big result needs a ten-year implementation period. If you stick to the current timeline, you will have to wait for the next round to get the next increment of reform.

**Rolf Moehler:** The distinctions between the types of support should not be dropped. Negotiators should figure out how to constrain payments to farmers, but the Green Box cannot be limited as long as the Amber Box is so high. Non-trade concerns can be dealt with in the Green Box. Therefore, there is no need to enlarge Green Box except for animal welfare. Article 6.2 is sufficient for developing country concerns. There is merit to keeping the Blue Box, but it should be tightened. The Amber Box must be substantially cut if it does not include commodity specific support. If commodity specific support is included in the Amber box, you are using it effectively and it should be continued. In the Uruguay Round we got rid of the traditional price support. When world prices fell, the loan deficiency payments have become even more distorting than the traditional price supports. The benefits of renewing the Peace Clause are overestimated. It does not keep importers from taking action, but it does prevent exporters from attacking competitors on domestic support, which affects third markets. There may be a case to limit the use of the Peace Clause in domestic support, but not for the other pillars. It should be limited to Green Box measures.

**Magdi Farahat:** It is important to remember that the Doha Round is not the Uruguay Round. There are new negotiators and more countries involved. In particular there are more developing countries that are involved in the negotiations in this round. The title 'Doha Development Round' implies that this will be a different kind of Round. There are not just technical issues this time; there are also more political issues. We should have different expectations than what we had from the Uruguay Round. The developing country view on the goals for this round is that: 1) There should be an overall further liberalization of trade. 2) The playing field needs to be leveled among countries. The field is now tilted toward OECD countries. 3) Agriculture negotiators should be sure to watch what is going on in the other areas of the negotiations. Agriculture is not the only area where negotiations are taking place. There are twelve negotiating groups working together. The level of ambition for agriculture in this round seems excessive for the amount of time set out to come to an agreement.

Over time all boxes should be eliminated except the Green Box. The Green Box needs to be capped; it should not be open-ended. Given human ingenuity, there needs to be a limit. If you cap the Green Box, there will be no need to change it. If you cannot negotiate a cap, you need to tighten the policies that are allowed under it. Developing countries are rather cynical about the Green Box. It is difficult for developing countries to hear about non-trade concerns on animal welfare when human beings in their countries do not have welfare. Non-trade concerns for developing countries are more basic: food security, rural poverty, etc. These two types of non-trade concerns are not equal. Developing countries should address their non-trade concerns through Green Box measures. They need to have flexibility. The Amber Box and Blue Box are not popular in developing countries. They should both be eliminated in this round. Amber and Blue Box support is about \$120 billion. That is three times the GDP of Egypt. Elimination of both is very likely not possible to negotiate in this round. In that case, the Blue Box *must* be eliminated in the current round. The Amber Box can be eliminated in the next round. The Peace Clause and the Special Safeguard Clause should be eliminated for the OECD countries. The United States' negotiating proposal is not very ambitious on domestic cuts.

## **Discussion**

### **The Boxes**

One negotiator maintained that the Blue Box policies do in fact contribute to lower production and increased prices because of the requirement to meet production-limiting criteria (i.e., payments made on fixed areas and yields; or on 85% or less of base production; or livestock payments are made on a fixed number of head). In fact one could argue that they should be included in the Green Box. Rolf Moehler noted that, although some EU Blue Box policies were based on a 10% set-aside and had been successful in eliminating surpluses, Green Box should not require production limits.

Another negotiator claimed the policies in the Blue Box were not operating in the way that they were originally intended and that Blue and Amber support policies were drowning out the benefits of having the Green Box. Mike Gifford suggested that, since Blue policies were less distorting than Amber, it made more sense to require a smaller reduction commitment for Blue instead of lumping Blue with Amber as some have suggested. However, Blue policies should lose their current Peace Clause protection and be subject to serious prejudice challenges. As regards depth of cuts, he noted that larger cuts might be more negotiable if they were based on longer transition periods, e.g. ten rather than five years. He added that the OECD countries were putting themselves at a long-term disadvantage because high levels of domestic support were invariably capitalized into land values, rents and quota values.

### **Developing Country Needs**

Magdi Farahat agreed with Mike Gifford that a longer term of implementation could allow for a bigger result because it would allow for a softer landing and political acceptance. He further asserted that looking to the Disputes Settlement Board is not practical for many developing countries because of the human resources demand that goes along with that approach. Bringing up their issues in the Committee on Agriculture is their best line of defense.

### **Developed Country Approaches**

Moehler asserted that the United States' proposal was a harmonizing approach. However, it will be hard to sell to the EU. He said that reduction commitments along the lines of something similar to the Swiss Formula would be the best approach on domestic support. Magdi Farahat agreed that the Swiss formula would cut deeper and make developing countries' life easier.