



# Options for the WTO Modalities on Agriculture

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## This briefing

- Structured around Chairman Falconer's questions of February 9, 2006
- Some of the (70) questions refer to decisions on process by WTO Member countries
- Others have not been the focus of the IPC Task Force on Options
- Focus of this report is on the key questions that require substantive decisions by negotiators in the next month(s)
- Report emphasizes feasible and desirable aspects not overtly political dimensions



# I. Domestic support



## Support reductions – the framework

- Reductions in OTDS and Total AMS within three bands, with higher reductions in highest band
- Caps on Blue Box, with reductions likely
- Reductions in *de minimis*
- Caps on product-specific AMS
  
- Political agreement that EU in band 3; Japan and the United States in band 2; all others in band 1



## Support reductions – the questions

- The OTDS thresholds?
  - Band 3: >\$60 billion
  - Band 2: \$10-\$60 billion
  - Band 1: \$0-\$10 billion and all DCs
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- These bands correspond to the agreed country allocation and therefore seem appropriate



# Range of Reduction percentages?

Band	Range of proposals for OTDS cuts
3	70-80%
2	53-75%
1	31-70%



## Reductions in OTDS - response

- Reductions of 60% or more in OTDS needed to impose effective restrictions on trade-distorting support for the top two bands
- Compromise values of 70/60/50 would seem to be needed for OTDS



## Domestic support – *de minimis*

- Minimum cut of 50% in *de minimis*,
- Additional reductions would probably need to be made by countries in bands 2 and 3 (due to OTDS reduction percentage)
- Developing countries could be allowed to claim exemption from *de minimis* cuts even if they have AMS commitments



## AMS reductions – the questions

- Total AMS thresholds?
- Band 3: >\$20 billion
- Band 2: \$12-\$20 billion
- Band 1: \$0-\$12 billion and all DCs
  
- These bands correspond to the agreed country allocation and therefore seem appropriate



## Range of Reduction percentages?

Band	Range of Proposals for Total AMS cuts
3	70-83%
2	60-70%
1	37-60%



## Reductions in Total AMS - response

- Total AMS reductions of 75/65/55 are needed to produce real reductions
- Developing country reductions in band 1 could be lower to provide S&D (roughly 2/3 of 55 percent – say 36 percent?)
- Developed Countries with high AMS in band 1 should undertake reductions in all product categories
- Individual product AMS bindings should be introduced at 1996-2001 averages for balance across countries



## Blue Box - questions

- How to constrain the Blue Box?
- Shrink current 5% ceiling?
- Add criteria?
- What base to use for value of agricultural production?
- Flexibility for those that have large Blue Box payments?



## Blue Box - responses

- Blue box binding of 5% value of production should be subject to minimum reduction of 50%
- Extended transition period for countries with high Blue Box component
- No additional Blue Box criteria to be required
- Base Period should be 1996-2001 (same as AMS bindings)
- Base for value of agricultural production should relate to total marketed production, not on-farm usage



## Green Box – agreement and questions

- Review and clarification of Green Box criteria agreed
- Need to make sure that developing country policies that do not cause trade distortions are not hampered
- Use G-20 ideas for developing country provisions?
- What other criteria may need to be added to ensure that Green Box policies create minimal trade distortions?



# Green Box - responses

- Some of the suggestions call for distinction between direct payments and payments for provision of public goods
- Resolution of this issue difficult to achieve with the time available – risk of creating more problems than solutions
- Extended process of review and clarification
- Incorporate both developed and developing country interests in this review
- Extension to development friendly policies not a problem



## **II. Export competition**



# Export subsidies

- Agreed parallel elimination of export subsidies, export credits >180 days and other export measures by 2013
- What should be the timetable?
- How to ensure parallel elimination of export credits >180 days?
- 60 percent reduction in both volume and value for both kinds of export subsidies in first three years to achieve “substantial part” of reductions in first half of the period
- Export credits may be removed before then as a result of US-Cotton case



## Export credits <180 days

- Disciplines needed on export credits <180 days to make them
  - Self-financing
  - Reflect market conditions
  - Short duration
- What disciplines are needed?
- How to protect LDCs and food importing developing countries from lack of credit?
- How should disciplines be timed to be parallel with other actions on export subsidies?



## Export credits <180 days

- Eliminate 60 percent of support payments for shorter term export credits in three years
- Remaining credits should reflect commercial practices and government expenditure on such programs should be reduced and eventually (2013) eliminated



# STEs - framework agreed

- Elimination of STE subsidies by 2013
- Monopoly powers subject to further discussion
- Developing country STEs to receive special consideration in issue of monopoly powers
- Disciplines will cover the future use of monopoly power that could circumvent direct disciplines



# STEs - questions

- How to define exporting STE?
- What disciplines to use?
- How to discipline monopoly powers to avoid circumvention?
- How to give special consideration to developing country STEs?
- How to ensure parallelism?



## STEs - responses

- Require STEs to finance exports on “equivalent to commercial” terms
- Monopoly position of STEs unlikely to be decided in this Round
- Set up mechanism for discussion and later resolution
- Increase transparency, providing information on request on cash price and acquisition costs
- Cross-subsidization could be avoided by allowing re-importation of exported goods
- Obligation of government to see that STE conforms to Article XVII
- Periodic review of operations of STEs



## Food Aid – agreement and questions

- Goal to eliminate commercial displacement
- “Safe box” for *bone fide* food aid
  
- Can one use WFP definition of emergency aid?
- How to define “safe box”?
- Disciplines on in-kind aid, monetization, re-exports?
- Parallelism with the elimination of other subsidies?
- Assistance for least developed and net-food importing countries?



# Food Aid - responses

- Use WFP definition of emergency food aid?
- Channel through multilateral agencies where possible
- Bilateral emergency food aid subject to notification
- Any excess over *bona fide* food aid counted against export subsidy limits
- Leave issue of “cash-only” food aid until later discussions
- Allow requests by LDCs and NFICs to be presumption of *bona fide* food aid



## **III. Market access**



# Tariff reductions

- Four bands for structuring cuts in bound tariffs with deeper cuts in higher tariffs
- Differential bands and rates for developing countries
- Thresholds for the bands?
- Tariff cuts within each band?
- Developing country cuts?
- Tariff cap? And at what level?



# Tariff reductions

- Bands:
  - 0-20; 20-50; 50-75; and >75 for developed countries?
  - 0-30; 30-80; 80-130; and >130 for developing countries?
- Wide range of proposed cuts:

	Lowest band	Highest band
Developed countries	25-60%	40-85%
Developing countries	15-50%	30-75%



# Tariff reductions

- Meaningful increase in market access requires significant tariff reductions in highest tiers
- Reductions of less than 80 percent for top tier would require low tariff cap or small range of sensitive products
- Reductions of 40 percent desirable for lowest band
- A reasonable compromise could entail cuts of
  - 50/60/70/80 percent in bound rates for developed countries
  - two-thirds of those cuts for developing countries,
  - using band divisions at 20/50/75 percent existing (bound) tariffs for developed
  - and 30/80/130 percent for developing countries.
- Tariff caps at 75 percent for developed countries and 100 percent for developing countries would be introduced at the end of the transition period



# Sensitive products

- Sensitive products may be designated up to a negotiated number of tariff lines
- Substantial Improvement in market access must still be achieved
- Some TRQ expansion will be required of all such products
- How many tariff lines? (suggestions range from 1-15 percent of tariff lines)
- What combination of TRQ increase and lower tariff reductions to allow?
- What basis to use for TRQ expansion?
- What about sensitive products for which there are no TRQs?



# Sensitive products

- Choice of parameters will have a major impact in terms of increased market access.
- 5 percent of tariff lines may be as high as one can go without removing most market access gains
- Impact will be partly offset by significant increases in TRQs for sensitive products - linked to percentage of consumption
- Sensitive products should be subject to tariff cap
- TRQs should not be required for sensitive products for which they do not exist
- TRQ increases should also be required for TRQ products which are not declared to be sensitive



# Other Market Access Elements

- Within quota tariff level
  - Reduce or eliminate these tariffs?
- TRQ Administration
  - Uniform rules for TRQ administration?
- Tariff escalation
  - Use a formula to reduce escalation?
- Tariff simplification
  - Any agreement possible?
- SSG
  - Abandon or renew, and with what limitations?



# Special products

- Special products for developing countries, self designated based on common criteria
- How many tariff lines?
- What “more flexible treatment to provide for these products?”
- Will Special Products be eligible for the SSM?



# Special products

- Tariff reductions could be one-half that for other products
- This would require some reductions in all bound tariffs to provide balance in market access



# Special Safeguard Mechanism

- SSM to be established
- Based on import quantities and prices
- Could be tied to particular categories of commodities (significant liberalization, low existing bindings, Special Products)
  
- Which products would be eligible?
- Should this be based on criteria or self-selected?
- How to define quantity triggers? What basis for quantities?
- How to define price triggers? What basis for prices?



# Special Safeguard Mechanism

- SSM should be widely available to developing countries
- Price triggers should be notified and monitored
- Quantity triggers should also be notified and relate to the average of three most recent years for which data is available
- Review of working of SSM should be built in to timetable of implementation



## Tropical and Diversification Products

- Fulllest possible liberalization of imports of these products
- How should these be defined?
- What does “fullest possible liberalization” mean and how can it be implemented?
- Duty and tariff-free should be agreed



# Preferences

- Issue of preference erosion will be addressed
- Capacity building an agreed element
- Can Harbinson draft be used as a basis?
  
- Preferences on commodities affect few products (bananas and sugar)
- The compensation for preference erosion should be the responsibility of preference-giving countries
- Unilateral and discriminatory preferences should be phased out and not delay the reduction of MFN tariffs



## **IV. Recently acceded Members**



## Recently acceded members

- Flexibility agreed, but ...
  - Who are they?
  - What flexibility is needed?
  - Additional flexibility for sub-groups?
- IPC Task Force did not focus on this issue



# V. Cotton



# Cotton

- Cotton issue to be addressed “ambitiously, expeditiously, and specifically,” within the agricultural negotiations
- All three pillars will reflect this
  - Eliminate export subsidies by 2006
  - Immediate Duty and Quota free access for LDCs
  - More ambitious cuts in domestic support, over shorter period of time
- How ambitious should cuts be in AMS?
- How to implement in a shorter time period?
- IPC Task Force did not focus on this issue



## **VI. Monitoring and surveillance**



# Monitoring and surveillance

- Monitoring introduced in URAA was a major step towards transparency and accountability
- Need to build upon this in Doha Agreement
- Most useful in area of Domestic Support
- Careful monitoring could reduce suspicion of “box-shifting”
- Creation of a Sub-group on Surveillance could be constructive
- Up-to-date notification crucial: conditional pre-notification could be useful addition
- Annual reports on policy reform probably best handled in other agencies



## **VII. Other issues**



## Other issues

- Sectoral initiatives, Differential export taxes and GIs “remain of interest but not agreed”
- Can they be brought into the “agreed” column?
- Sectoral initiatives, Differential export taxes not considered in IPC Task Force
- GIs seen as a possible “balance “ issue at end of negotiations
- Extension of Article 23 coverage not likely to be in package (and should be discussed in TRIPS after the DDA)
- Multilateral Register for wines and spirits is emerging from bilaterals and could be included in compromise
- Limited claw-back for semi-generics in exchange for broader discussions after DDA



## Other issues

- Export Prohibitions
  - Disciplines to be strengthened
  - But how can this be done?
- Small and Vulnerable Economies, Commodity Dependent and Least Developed Countries
  - Tacit agreement on addressing particular concerns
  - How can these concerns be addressed?

These issues were not the focus of the IPC Task Force



## **VIII. Issues not raised in Chairman's Questions**



# Peace Clause

- New Peace Clause may be necessary (if not desirable) to complete package
- Concern in US Congress over the use of “excessive” litigation to undermine political agreements and domestic policy reform could block progress
- Could be limited to Green Box measures that had been notified and evaluated in Committee on Agriculture
- May need independent review body to give (non-binding) advice
- Amber box payments would still be subject to SCM challenge



# Continuation Clause

- Continuation Clause (Article 20) was an important part of URAA
- Could be useful to include similar clause in DDA
- Could collect together “unsettled” issues and provide timetable for their consideration (e.g. monopoly power of STEs, Green Box definitions)
- Should emphasize the objective of removing significant differences between agricultural and other trade rules and the further need to harmonize protection levels