Corrected 9 December 2006

6 December 2008

This time: four texts. This note’s purpose is to walk you through them, but please consult the orb526(E)0.9(D)6.4(Uo.2(u)5(ID

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- The negotiations aim to reform agricultural trade principally in three areas (the “three pillars”): domestic support, market access, and export subsidies and related issues (“export competition”).
- The “modalities” spell out how to achieve this, including steps to be taken each year over a period.
- After the “modalities” have been agreed, each country would use them to cut subsidies, support, and tariff ceilings on thousands of products. These and new related rules would be part of the final deal.
- Formulas in the “modalities” would describe the basic cuts in tariffs, support and subsidies. For domestic support and tariffs, “tiered” formulas are used: if support or a tariff is high (ie, in a higher tier) it will be cut more steeply. Export subsidies would be eliminated.
- Not one-size-fits-all: the basic formulas for developing countries prescribe gentler cuts over a longer period. On top of that, a range of flexibilities would allow countries to deviate from the basic formulas, either totally or for some products, particularly in market access. This is designed to take account of countries’ different vulnerabilities, the liberalization already undertaken by new members, and a range of special circumstances for some products in different countries.
- New or revised rules and disciplines would also be

Numbers in the draft tend to be in

: Cutting trade-distorting domestic support would operate simultaneously through three layers of constraints. First, each category of supports would be cut or limited:

- (the most distorting, with direct links to prices and production, officially or)
- (Amber Box but in relatively smaller or minimal permitted amounts defined as 5% of production for developed countries, 10% for developing countries)
- (less distorting because of conditions attached to the support)

Second, for each of these, there would also be some constraints on

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Third, on top of that would be cuts in the permitted amounts of all three combined:

- “

(News reports of some countries being asked to cut their supports to certain amounts of dollars or euros are referring only to that T4147(e)57epor(r)-2(A

The base level for developed countries = Amber Box commitment ceiling + 15% of the value of production (comprising 5% for current “de minimis” support for agriculture in general, another 5% for “de minimis” support targeted at specific products, and 5% for Blue Box support) — the Blue Box component could be higher if the actual support in this category was more than 5%. (Par.1)

. Those with Amber Box commitments (ie, with ceilings higher than the minimal “de minimis” level and therefore required to reduce the ceilings): cut by two-thirds of the formula cut. But net food-importing countries (Tunisia, Morocco, Jordan, Venezuela) among these would be exempt. (Par.7) Those without Amber Box reduction commitments, would not have to reduce overall distorting support, but would have to stay within the base amount of support. Net-food-importing developing countries would not have any limits on overall distorting support if they do not use the Blue Box (but they would have to observe Amber Box and de minimis constraints). (Pars.6, 10)

. New members who joined very recently (Saudi Arabia, FYR of Macedonia, Viet Nam, Ukraine), and some others with low incomes (Albania, Armenia, Georgia, Kyrgyz Rep, Moldova, Mongolia) would make no cuts. Others would make two-thirds of the formula’s cut. (Par.9) (Mongolia added)

: Included in the text is a requirement for some countries to provide their data on the value of production (used to calculate the overall limits) annexed to the “modalities”. These are developed countries and those developing countries that have to cut their overall distorting support, ie, all countries whose Amber Box support ceilings exceed the minimal (“de minimis”) levels and have to be reduced — net food importing developing countries, least developed countries and some recent new members would not be included. (Par.12)

(Par.13) (Unchanged)

- Highest tier (above $40bn, i.e. EU), cut by 70%.
  (EU’s current ceiling is €67.16bn. Cut would bring ceiling down to €20.1bn)
- Middle tier ($15bn–$40bn, i.e. US, Japan), cut by 60%
  (US’s current ceiling is $19.1bn; down to $7.6bn after cut.)
- Lower tier (below $15bn. i.e. all others), cut by 45%

Japan would make the top tier cut, effectively putting it in the top tier. Other developed countries whose Amber Box support is more than 40% of the value of their agricultural production would also make a bigger cut, i.e. a cut halfway between the cut of their tier and the tier above. (Par.14) (Also unchanged)

. The top three subsidizers (ie, EU, US and Japan) to cut 25% from the start. All other

(where quantities inside the quota are charged lower or no duty. The out-of-quota tariff is the normal rate determined by the reduction formula).

In return for being allowed a smaller tariff cut, developed countries have to allow at least some quantities into their markets at a

i.e. the HS6 products it includes, whether these are "core", "non-core processed", or "non-core highly processed", and their weights in the category's consumption (Attachment A)

balance sheet method: production, adjusted for trade, stockholding to get consumption (Attachment B)

HS CONSUMPTION
% of Product Category consumption, using core/non-core weights, adapted from % of world trade (Attachment D)

HS CONSUMPTION
% of HS6 consumption, from % of imports (IDB) adjusted for content of basic product (Attachment D)

(% of domestic consumption of sensitive product, open to all sensitive products in the Product Category, subject to floor — % of category consumption)

(PRODUCT A)

(PRODUCT B)

(PRODUCT C)

PRODUCT CATEGORY

(Based on existing data: FAO, OECD, national data)

(Member's adjustment, to comply with common

HS8 (A–2)

“ (the problem of higher tariffs on processed products than on raw materials, which hinders processing for export in the country producing the raw materials). Where the escalated processed product has a tariff that is significantly above the unprocessed product (ie, by 5 percentage points or more), it would take the cut of the tier above or if it is already in the top tier, 6 percentage points added to the cut of the top tier. Sensitive products would be exempt, and the tropical products cut would override the escalation cut if it is bigger. (Pars.84–90 and Annex D)

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