

# WORLD TRADE ORGANIZATION

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**Committee on Agriculture  
Special Session**

## AGRICULTURE NEGOTIATIONS: STATUS REPORT II LOOKING FORWARD TO THE 6<sup>th</sup> MINISTERIAL CONFERENCE OF THE WTO

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2. As in the case in the earlier status report

### **Export Competition**

5. For reasons spelled out in my earlier assessment, this is clearly the most advanced 'pillar' of the negotiation (precisely because of the clarity of some key political decisions taken earlier). We now need, and the sooner the better, some additional building blocks in 'parallel commitments'. With respect to STEs, we need to agree quickly on a more targeted definition of what precisely are the new disciplines on the matter of 'Subsidies, Government Financing and Underwriting of Losses' and the institutions of primary concern. On Food Aid, I regret to report that the concerns of many developing countries, which I referred to a month ago, about the practical effects of any new disciplines still need to be addressed. I still see value in advancing our understanding of what might constitute genuine emergency food aid. This could facilitate our work on defining the operational disciplines on commercial displacement.

6. A negotiating approach based on finding a reasonable way forward here will then permit a sharper focus in the autumn on what is clearly the over-arching issue in this pillar: the schedule and modalities for phasing out all forms of export subsidies and how this might take account of the need for some coherence with internal reform steps of Members. This is a very political matter and of

with, the key test that such payments would met the fundamental test of at most minimal trade-distortion.

**The Sub-Committee on Cotton**

18. Work in the Sub-Committee on Cotton with respect to the 'development track' seems finally to be producing a more focussed effort by the donor countries, and not just with respect to the cotton proponent countries. However, the urgent matter related to the current sharp price decline remains a

**ATTACHMENT**

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### **A Development Round - The Crucial Role of Agriculture**

This is a Development Round and I can assure Members that this is at the forefront of my thinking and approach as the Chair. Agriculture is critical to ensuring that we get a 'development return' from the Round. It is critical for two broad reasons:

- The first reason is because many developi

## **KEY ISSUES FOR JULY**

It is particularly important that this paper be read in conjunction with the July 2004 Framework<sup>5</sup>. That paper, endorsed by the Membership, and building on the Doha Mandate, represents the '*acquis*' of the agriculture negotiation to date. There are a number of key matters in the Framework which, for good reasons generally related to a prudent 'sequencing' of such a complex negotiation, are not covered in this discussion paper; their standing in this negotiation remains therefore fully intact. All these issues have been subject to intense and numerous consultations since adoption of the July Framework.

I believe that the Membership fully understands that not all issues – even vital ones – can be progressed simultaneously. There are some issues which, for purely logical reasons, cannot be addressed until certain prior matters become somewhat clearer. That is, there is a certain unavoidable

There seems general convergence in the Membership around the concept of developing these two tiered formulae on the basis of absolute, not relative, levels of TDS. This reflects a fundamentally important fact: we are focussing on 'fixing the real problem' of the large distortions in world agriculture markets caused by high levels of TDS, not 'scoring a political point'.

Nevertheless, before I were to ask the Membership to formalise a real consensus on this key matter, it is clear that there is an expectation that certain developed countries with very high relative levels of TDS, but which (because of their limited size of their agriculture sectors in world terms, do not constitute large shares on an absolute basis) make a serious contribution to the reform effort. There is, in effect, a 'trade-off' here: the Membership is prepared to be 'reasonable' to them, provided they in turn are 'reasonable' to the Members in this negotiation.

*The Formula for Final Bound Total AMS*

Given that we are targeting absolute levels of distortion, it is already clear that any formula we might agree on will be driven by the absolute scheduled levels in three Members: the EC (US\$59.8 billion), the US (US\$19.1 billion) and Japan (US\$35.9 billion)



*Product-Specific AMS Caps*

Within the architecture of disciplines over trade-distorting domestic support, we have an agreement in the July Framework to develop product-specific AMS caps.

There are some difficult issues to be negotiat

- The wish of developing countries to introduce new provisions or language that take account of the types of programmes suited to the realities of developing country agriculture and which could meet the fundamental test of at most minimal trade-distorting support. They argue that some provisions of the Green Box are difficult to apply in a developing country context or there is no suitable explicit provision for them.

There is a danger here of the Membership talking past each other. With respect to the first broad direction, those developed countries embarked on deep reform of coupled support policies are deeply concerned that any change to the existing language might have the perverse effect of undermining their reforms.

With respect to the second broad 'strand' or direction in this review and clarification of the Green Box (i.e., introducing 'development friendly' language), those existing large users of the Green Box and some other Members are worried that introducing 'development friendly' language into the Green Box may open a 'Pandora's Box' for large-scale subsidisation by developing countries in the future.

Clearly, both sides need to accept that there are legitimate concerns on both sides and listen carefully and rationally to constructive proposals from each side. I think many understand this.

Ultimately, with respect to introducing some 'development friendly' provisions suited to the specific realities of developing country agriculture, lies a potential 'win-win' outcome. It is in everyone's interests to encourage developing countries to avoid repeating the chequered history of developed countries' subsidisation. That is, in order to achieve their social and other non-trade concerns, it is obviously desirable that developing countries, as they gain increasing financial strength, look directly to the Green Box as the appropriate avenue for policies, targeted at their social,

- 'export measures with equivalent effect'

These agreed criteria clearly define the scope of our examination at the general level. Additionally, there are further provisions within the Framework that focus our attention on certain measures. With the above in mind, I would like the Membership to focus on the following matters.

### **Export Credits**

We have already a provision in the July Framework on the key issue – export credits exceeding 180 days: they are to be eliminated. Nevertheless, additional disciplines need to be developed on export credits of 180 days or less. They may be a far smaller problem in world

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*Developing Country STEs*

We have an explicit provision in the Framework that STEs in developing countries which enjoy special provisions to preserve domestic price stability, and to ensure food security will receive 'special consideration for maintaining monopoly status'.

I am assuming in this paper that the over-arching question of the monopoly status of even exporting STEs in developed countries is a matter for negotiation in the next, post-Summer Break phase. At that point, I am confident that the special position of such STEs in developing countries with these objectives at the heart of their operations will be taken fully into account.

With respect to developing country STE specific practices – even when their focus is on facilitating their exports rather than the criteria referred to immediately above, it is difficult to take

intensive consultation on the fullest liberalisation for Tropical Products. At the end of the discussion, a number of delegations (approaching the matter from quite different perspectives) observed that it was impossible to move that question forward without some structure in place in the core market access formula. The same applies to a whole range of issues. This is why I believe that, by 31 July, Members need to reach some convergence on at least some

Once again, I recognize that there are many other issues of vital importance to all Members. Matters raised by developing country Members such as SSM, or addressing the issue of preference erosion will take considerable time to elaborate. But, for the reasons summarised in this paper, the Membership has found it impossible to develop convergence on these and other matters without some structure of a market access formula in place.

### **THE SUB-COMMITTEE ON COTTON**

The analysis immediately above needs to take into account the very particular issue of cotton – reflected in the General Council's decision to establish this sub-committee.

Progress in both the development and trade tracks is vital. Within the West and Central African 'proponent countries', intense pressure is building up on their producers with the recent fall in prices. This calls for immediate action on the development front.

With respect to the trade track, I have drawn attention on several occasions in this paper to the need to advance the agriculture negotiations with cotton in mind. Members have already agreed to a mandate for an 'ambitious, expeditious and specific treatment' of cotton within the agriculture negotiations. In this respect, we have received an ambitious proposal from the Proponent Countries to this effect.

If and when some structure emerges more clearly on each of the three pillars in the Committee on Agriculture in Special Session, then a parallel evaluation of their possible implications for the cotton sector can play a powerful role.

Equally, it is obvious that if we do not reach convergence on key points in each of the three pillars by 31 July within the agriculture negotiations generally, it will become increasingly difficult to fulfil the specific mandate for the work of Cotton Sub-Committee, with the Hong Kong meeting only round the corner.

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