

Chair's Reference PaperAGGREGATE MEASUREMENT OF SUPPORT (AMS) AND *DE MINIMIS****Background***

Paragraph 5 of the Hong Kong Ministerial Declaration states, *inter alia*, that:

"On domestic support, there will be three bands for reductions in Final Bound Total AMS and in the overall cut in trade-distorting domestic support, with higher linear cuts in higher bands. In both cases, the Member with the highest level of permitted support will be in the top band, the two Members with the second and third highest levels of support will be in the middle band and all other Members, including all developing country Members, will be in the bottom band. In addition, developed country Members in the lower bands with high relative levels of Final Bound Total AMS will make an additional effort in AMS reduction. We also note that there has been some convergence concerning the reductions in Final Bound Total AMS, the overall

Paragraph 12 states:

"Members may make greater than formula reductions in order to achieve the required level of cut in overall trade-distorting domestic support."

Ad memorandum

Paragraph 11 of the Hong Kong Ministerial Declaration states, *inter alia*, that:

"[...] Members agree that the objective is that, as an outcome for the negotiations, trade distorting domestic subsidies for cotton production be reduced more ambitiously than under whatever general formula is agreed and that it should be implemented over a shorter period of time than generally applicable. We commit ourselves to give priority in the negotiations to reach such an outcome."

Paragraph 6 of the Agreed Framework (Annex A of WT/L/579) states that:

"The Doha Ministerial Declaration calls for "substantial reductions in trade-distorting domestic support". With a view to achieving these substantial reductions, the negotiations in this pillar will ensure the following:

- Special and differential treatment remains an integral component of domestic support. Modalities to be developed will include longer implementation periods and lower reduction coefficients for all types of trade-distorting domestic support and continued access to the provisions under Article 6.2.
- There will be a strong element of harmonisation in the reductions made by developed Members. Specifically, higher levels of permitted trade-distorting domestic support will be subject to deeper cuts.
- Each such Member will make a substantial reduction in the overall level of its trade-distorting support from bound levels.
- As well as this overall commitment, Final Bound Total AMS and permitted *de minimis* levels will be subject to substantial reductions and, in the case of the Blue Box, will be capped as specified in paragraph 15 in order to ensure results that are coherent with the long-term reform objective. Any clarification or development of rules and conditions to govern trade distorting support will take this into account."

Paragraph 7 states:

"The overall base level of all trade-distorting domestic support, as measured by the Final Bound Total AMS plus permitted *de minimis* level and the level agreed in paragraph 8 below for Blue Box payments, will be reduced according to a tiered formula. Under this formula, Members having higher levels of trade-distorting domestic support will make greater overall reductions in order to achieve a harmonizing result. As the first instalment of the overall cut, in the first year and throughout the implementation period, the sum of all trade-distorting support will not exc.8(0.041310.001 ega.40en)6.6(t)-5.8(o)6.6(f)-3.6()5.8(th)-5(e su)-5(m)5.6((t o)-6.c(t)-3.6t.,4.7(h)6.9e TDI)-5.c.8

Structure for Discussion

Introduction

1. This reference paper addresses three issues related to the Amber Box – reductions in Final Bound Total AMS, the establishment of product-specific AMS caps and reductions in *de minimis*. Other issues relating to domestic support, that is, the Blue Box, the overall reduction in trade-distorting domestic support and the review and cl

6. As we embark on working towards convergence on AMS cuts, we also need to set out modalities as to the additional effort in AMS reduction to be undertaken by the developed country Members in the lower tiers with Final Bound Total AMS levels that are high relative to the total value of agricultural production. Details are yet to be settled, although it was already signalled that the extent of additional effort would reflect the size of cuts and outcomes in the other pillars.

7. While the issue of exchange rate fluctuations and inflation as they relate to AMS commitments has been raised, many consider that these situations are already addressed by the existing provisions in Article 18.4 of the Agreement on Agriculture. If Members consider that anything above and beyond the existing Article 18.4 is needed, we would need to define what it would be.

8. As regards special and differential treatment for developing country Members, some Members have suggested that the cuts would be less than two thirds of the developed Members' cut along with a longer implementation period.

Product-specific AMS caps

9. The Agreed Framework states that product-specific AMSs are to be capped at their respective average levels according to a methodology to be agreed. In the discussions that have taken place so far on the methodology the focus has been on the average product-specific AMS support provided during a base period. Following requests from some Members, the Secretariat produced a background note (TN/AG/S/15/Rev.1) which summarises the information provided by Members in their notifications on domestic support.

Base period

10. Two alternative base periods have been suggested for the product-specific AMS caps – 1995 to 2000 (or the possibility of choosing 1995 to 2004 for developing countries) and 1999 to 2001. Selection of a particular base period will have a considerable impact on some Members, particularly those countries that have undergone major changes in support policies. To give one extreme example, for one particular Member, the alternative base periods would mean a difference of 160% for AMS support for one product, for another Member it would mean the difference between a substantial amount of AMS support for a product and no AMS support. We can, of course, go on endlessly debating this until one side surrenders. Alternatively, we need some practical solution. One such approach that has been suggested is to use the period 1995-2000 except in cases where support was introduced after the year 2000.

11. Concerning support that is at or below *de minimis* levels during the base period it seems to be reasonably widely accepted that the cap would still be the *de minimis* level or some other percentage of the value of production of that product.

Other

12. Some Members have taken the view that the effectiveness of product-specific caps is to be linked to the effectiveness of the Blue Box criteria which are to be developed and to the need to ensure that non-product-specific support is not used to circumvent the product-specific caps commitments.

13. As regards implementation, and we have not discussed this in detail, Members will need to decide whether the product-specific caps are to be applied from the start of implementation or would they need to be phased in. The phasing in could, for example, be done in tandem with the staging of AMS commitments.

14. With respect to special and differential treatment, it has been proposed that developing country Members would be allowed to provide product-specific support within the cap established by one of the following methods: (i) the average applied levels during the base period 1995-2000 or

21. It is clear that the results of the negotiations must deliver on the political commitments made in the Agreed Framework and in the Hong Kong Ministerial Declaration.

Monitoring and surveillance

22. Further discussion is needed as to what information, if any, Members would need to submit in