

Chair's Reference Paper

BLUE BOX

Background

Paragraph 13 of the Agreed Framework (Annex A of WT/L/579) states that:

"Members recognize the role of the Blue Box in promoting agricultural reforms. In this light, Article 6.5 will be reviewed so that Members may have recourse to the following measures:

- Direct payments under production-limiting programmes if:
 - such payments are based on fixed and unchanging areas and yields; or
 - such payments are made on 85% or less of a fixed and unchanging base level of production; or
 - livestock payments are made on a fixed and unchanging number of head.

Or

- Direct payments that do not require production if:
 - such payments are based on fixed and unchanging bases and yields; or
 - livestock payments made on a fixed and unchanging number of head; and
 - such payments are made on 85% or less of a fixed and unchanging base level of production."

Paragraph 14 states:

"The above criteria, along with additional criteria will be negotiated. Any such criteria will ensure that Blue Box payments are less trade-distorting than AMS measures, it being understood that:

- Any new criteria would need to take account of the balance of WTO rights and obligations.
- Any new criteria to be agreed will not have the perverse effect of undoing ongoing reforms."

Paragraph 15 states:

"Blue Box support will not exceed 5% of a Member's average total value of agricultural production during an historical period. The historical period will be established in the negotiations. This ceiling will apply to any actual or potential Blue Box user from the

Ad memorandum

Paragraph 7 of the Agreed Framework (Annex A of WT/L/579) states that:

"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 exceed 80 per cent of the sum of Final Bound Total AMS plus permitted de minimis plus the Blue Box at the level determined in paragraph 15."

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

"[...] Disciplines will be developed to achieve effective cuts in trade-distorting domestic support consistent with the Framework [...]"

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."

Structure for Discussion

1. As noted in my report to the TNC¹ and in my non-exhaustive list of questions²

6. We need to deal with the issue relating to potential "newcomers" to the Blue Box – both in terms of new users of the Blue Box as well as new products supported by such payments. One proposed solution could be an offsetting mechanism, which would require new or additional Blue Box expenditure to be offset by a corresponding reduction in AMS support.

7. In addition to the Agreed Framework, Ministers have instructed us in paragraph 11 of the Hong Kong Ministerial Declaration that cotton be